



# Complete Agenda

Democratic Services  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

## **GOVERNANCE AND AUDIT COMMITTEE**

Date and Time

**10.00 am, THURSDAY, 8TH SEPTEMBER, 2022**

Location

### **Virtual Meeting**

\* For public access to the meeting, please contact us\*

Contact Point

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(DISTRIBUTED1/9/22)

# **GOVERNANCE AND AUDIT COMMITTEE**

## **MEMBERSHIP (19)**

### **Plaid Cymru (8)**

#### Councillors

Menna Baines  
Meryl Roberts  
Huw Rowlands

Jina Gwyrfai  
Medwyn Hughes  
Vacant Seat

Elfed Wyn ap Elwyn  
Paul John Rowlinson

### **Independent (4)**

#### Councillors

John Brynmor Hughes  
Richard Glyn Roberts

Angela Russell  
Rob Triggs

### **Lay Members**

Hywel Eifion Jones  
Mrs Clare Hitchcock  
Mr Elwyn Rhys Parry  
Mrs Sharon Warnes  
Vacant Seat x 2

### **Ex-officio Members**

Chair and Vice-Chair of the Council

# **A G E N D A**

## **1. APOLOGIES**

To receive apologies for absence.

## **2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest.

## **3. URGENT ITEMS**

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

## **4. MINUTES**

4 - 13

The Chairman shall propose that the minutes of the meeting of this committee, held on 30<sup>th</sup> June 2022, be signed as a true record.

## **5. STATEMENT OF ACCOUNTS 2021/22**

14 - 104

To consider and receive the Statutory Statement of Accounts (pre-audit draft) for information

## **6. AUDIT WALES REPORTS**

105 - 170

To consider the Audit Wales work programme for Quarter 1 and reports published recently

## **7. COMMITTEE FORWARD PROGRAMME**

171 - 173

To consider the committee's work programme for 2022/23

# Agenda Item 4

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## GOVERNANCE AND AUDIT COMMITTEE 30-06-2022

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### Present:

**Councillors:** Medwyn Hughes, Huw Rowlands, Paul Rowlinson, Jina Gwyrfai, Meryl Roberts, Elfed Wyn ap Elwyn, Angela Russell, John Brynmor Hughes, Richard Glyn Roberts and Rob Triggs

**Lay Members:** Sharon Warnes, Hywel Eifion Jones, Clare Hitchcock and Rhys Parry

**Officers:** Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Caren Rees Jones (Group Accountant - Capital and Management), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager), Caleb Lewis (Professional Trainee - Finance) and Lowri Haf Evans (Democracy Services Officer)

### Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)  
Alan Hughes and Yvonne Thomas (Wales Audit)  
Dewi Jones (The Council's Business Support Service Manager)

#### 1. ELECTION OF CHAIR

**RESOLVED to elect Mrs Sharon Warnes as Chair of the Committee for 2022-23.**

Councillor Angela Russell (Leader of the Opposition) expressed her discontent that the Chair of the Committee, in accordance with the requirements of the Local Government and Elections (Wales) Act 2021, would transfer to a Lay Member. She added that this change highlighted the Government's intention to deprive Local Councils from leading on the work and making local decisions.

#### 2. ELECTION OF VICE-CHAIR

**RESOLVED to elect Mr Eifion Jones as Vice-chair of the Committee for 2022-23.**

#### 3. APOLOGIES

Apologies were received from Councillor Menna Baines.

#### 4. DECLARATION OF PERSONAL INTEREST

None to note.

#### 5. URGENT ITEMS

None to note.

#### 6. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 10 February 2022 as a true record.

#### 7. FINAL ACCOUNTS 2021-2022 – REVENUE OUT-TURN

The Cabinet Member for Finance highlighted that the report had been submitted to the Cabinet on 14 June 2022 and the Cabinet had approved all the recommendations and financial transactions.

The Senior Finance Manager gave the context to the report. It was noted that the reports elaborated on the Council's expenditure in 2021/22, the out-turn position of the underspend or overspend of individual departments, and the reasons for this. Reference was made to a summary of the final financial position of all the departments, which highlighted the amounts to be carried forward at the end of the year together with the principal matters and areas where there had been significant differences. It was highlighted,

- That the financial impact of Covid-19 had again been significant for the Council in 2021/22, with £17.5 million claimed from the hardship fund and Furlough by the end of the year (a combination of additional costs of £15.2 million and income losses of £2.3 million).
- The Council had received a number of substantial additional grants late in the year that transformed the financial position by the end of the financial year - the substantial grants included:
  - a Local Government Settlement Addition 21/22 (£2.5 million)
  - social care hardship grant (£1.9 million)
  - social care recovery fund (£1.5 million)
  - school maintenance grants for school budgets (£1.8 million)
  - Accelerated Learning in Schools (£1.2 million)
  - Council Tax backlog (£0.9 million)
  - £0.8 million Economic Framework priorities
- There was an underspend by all the departments (except for the Highways and Municipal Department which had overspent by £746k). It was noted that the municipal field continued to be a matter of concern with the most prominent issues in the field of waste collection and disposal. It was added that the department was also facing difficulty to realise savings to the value of £608k.
- There had been an improvement in the position of the Adults Department as a result of receiving substantial grants in the last few months of the year (including a grant of £1.9 million Local Government Social Care Hardship). It was noted that the impact of Covid-19 had continued again in 21/22 to have a substantial impact on the Department which was equivalent to over £3.7 million by the end of the year.
- There were several reasons for one-off underspend on several Corporate headings
- Schools' balances, had increased from £10.7 million at the end of March 2021 to £16.7 million by the end of March 2022 as a result of the impact of Covid-19 and various grants received.
- A review of the adequacy of the Council's specific provisions when closing the accounts had shown that it had been possible to harvest £851k of resources.

It was reported that the statutory financial statements for 2021/22 had already been completed and submitted to Audit Wales for audit.

Staff were thanked for their thorough work and flexibility during this challenging period

During the ensuing discussion, the following observations were made by members:

- that schools' balances were acceptable bearing in mind that it was difficult to spend money linked to the late grants (a lack of supply staff which in turn leads to a reduction in travel and training costs)
- The receipt of grants late in the year did not 'facilitate financial arrangements'

In response to a comment regarding reliance on special grants, it was noted although there was a tendency to receive grants late in the year this situation could not be depended upon.

In response to the continuous overspend in the municipal field and a suggestion to scrutinise this matter, a recent decision by the Cabinet to re-structure the Highways and Municipal Department and to transfer the waste collection field to the Environment Department was noted. However, the suggestion to scrutinise the field and to refer this suggestion to the Language and Scrutiny Unit was accepted. It was added that the vast proportion of the overspend were unrealised savings together with the impact of Covid-19 on the waste field as well as loss of income in the commercial waste field.

## **RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (14 June 2022)**

**Note: A suggestion that issues of overspend and realising savings in the municipal field are scrutinised. It was proposed to refer the suggestion to the Language and Scrutiny Unit for Members of the Communities Scrutiny Committee to consider as a potential field to scrutinise at their annual workshop.**

## **8. CAPITAL PROGRAMME 2021/22 - END OF YEAR REVIEW (31 MARCH 2022 POSITION)**

The Senior Finance Manager highlighted that the main purpose of the report was to present the revised capital programme at the end of the financial year (31 March 2022 position), and to approve the relevant financing sources. The analysis per Department of the £139.3 million capital programme for the 3 years 2021/22 - 2023/24 was referred to together with the sources available to fund the net increase of approximately £11.0 million since the previous review.

The main findings of the review was that the Council had managed to spend £37.1m in 2021/22 on capital schemes, and £29.9m (81%) of it funded through specific grants.

It was reported that the impact of the Covid-19 emergency and the lockdown period on the capital programme was evident and in addition to the £31.2m reported in the previous reviews, a further £26.8m of proposed expenditure had been re-profiled, namely slippage from 2021/22 to 2022/23, and the main plans included:

- £7.6 million in Housing Strategy and Homelessness Plans
- £7.2 million in Flood Prevention and Land Drainage Schemes
- £6.5 million in 21st Century Schools Plans and Others
- £4.0 million in Welsh Government New Grants in the Housing field (slippage replaced resource)
- £3.2 million in Additional General Capital Grant for 21/22 (received in the last quarter of the year with allowance for slippage to 22/23)

In addition, the Council had managed to attract further grants since the last review (over 11 million) these included;

- £3.2 million - Additional General Capital Grant 21/22 - permission for slippage to 22/23
- £3.1 million - Grants from the Land and Buildings Development Fund that allowed replacing current funding for expenditure in 22/23.
- £1.3 million - Intermediate Care Fund Grant - adapting adults establishments as well as facilitating joint working arrangements with other agencies in the care field.
- £1.1 million - Free School Meals Capital Grant - allowing the replacement of current funding for expenditure in 22/23 on adaptations to school kitchens.

The Cabinet's decision (14 June 2022) was to accept all the recommendations and:

- To accept the report
- To note the expenditure of £37,054,000 on the capital programme during the 2021/22 financial year, which would be used as a basis for the statutory financial statements for 2021/22.
- To approve the revised funding:

Thanks were expressed for the report.

In response to a question regarding the assurance of receiving grants or that grants had been lost due to slippage, it was highlighted that some grant terms meant replacement whilst others gave permission to continue

In response to a question regarding identifying the risk of an increase in building costs and the cost of living and for this to be considered within the application / grant sum, it was noted in general that it was necessary to receive some grants and to maximise their use, however, with others an additional application was made to the Welsh Government. It was added, in response to an increase in costs, that decisions were made to defer some plans.

## **RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (14 June 2022)**

## **9. FINAL ACCOUNTS OF GWYNEDD HARBOURS FOR THE YEAR ENDING 31 MARCH 2022**

Submitted - the report by the Senior Finance Manager. It was explained, in accordance with the statutory requirements under the Harbours Act 1964, as a harbour authority, Gwynedd was required to provide an annual accounts statement relating to the activities of Barmouth, Aberdyfi, Pwllheli and Porthmadog harbours. As the Gwynedd harbours turnover was lower than £2.5m, it was considered to be a small local government body, and as such completion of statements of accounts return prepared by the Wales Audit Office satisfied the statutory requirement.

Reference was made to the income and expenditure account, and an overspend of £975 was highlighted at the end of the year. From this sum, it was reported that there was underspend on staffing and buildings (due to less expenditure on maintenance and grounds maintenance), however, there was an overspend mainly on signage, notices and boats maintenance. In terms of income, it was reported that the fee levels were above the income target and this was very promising following the impact of Covid on income levels in 20/21. Reference was made to the cost comparison over the last two years that indicated that matters had come back to their usual expenditure levels following Covid in 20/21.

Attention was drawn to the external auditors' standard form together with the Annual Governance Statement, that gave assurance of a robust internal control system. It was highlighted that the accounts had already been subject to an internal audit and had now been submitted to the external auditors, namely Audit Wales' External Auditors. It was added that only if changes were required following the audit would an amended version be presented to the Committee in October.

**The members expressed their thanks for the report.**

## **RESOLVED**

**To accept the report**

**To Approve:**

- **The Revenue Income and Expenditure Account 2021/22**
- **Annual Return for the Year ending 31 March 2022, subject to audit by Audit Wales**

## **10. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2021-22**

The Statement was presented by the Head of Finance Department. He explained that the statement, although not part of the accounts, was a statutory document which needed to be published with the accounts. In accordance with the Accounts and Audit (Wales) Regulations and the CIPFA Code of Practice, all Local Authorities must ensure that a statement of internal management is in place. It was reported that the Chief Executive and the Council Leader were required to sign the statement, although the Audit and Governance Committee's approval was needed.

Some of the background to the statement was given. The statement which was based on the CIPFA/SOLACE framework identified seven core principles for good governance and these had been divided further into sub-principles. It was highlighted that the Governance Arrangement Assessment Group, led by the Chief Executive, had considered these principles and sub-principles and had created a Governance Risk Register, which was part of the Council's Corporate Risk Register. The Governance Risk Register identified risks in 23 different areas of governance, noting the controls that the Council have in place to mitigate these risks.

It was reported that there were four types of risks and that each risk had departmental ownership; the Group had concluded that there were 0 fields of very high risks, 2 high risk fields, 12 fields of medium risks and 9 low risk fields. It was noted that the high risk fields were 'Culture' and 'Health, Safety and Well-being'.

The members expressed their thanks for the report. Reference was made to every risk in turn giving Members an opportunity to enquire about that field. During the ensuing discussion, the following observations were made by members:

- Culture and Conduct - why was the impact score for culture a 4 and the impact score for conduct a 2 bearing in mind that both fields were similar?
- 'Planning the workforce' - should 'change to risk' be here considering that it was difficult to recruit / staff working from home / staff retention?
- Finance - the risk impact was 3 and a likelihood of 3 appeared low considering the increase in costs, wages, inflation
- Many of the headings were 'more important than others' and the principles were not equal - too much narrative - need to sharpen the evidence
- Some of the risks were historical - there was a suggestion to establish a group to review the list

In response to a question whether or not the 23 risks were common to every Local Authority, it was noted that these risks were unique to Gwynedd.

**RESOLVED**

**To accept the report**

**To approve the statement**

**To recommend that the Council Leader and the Chief Executive sign the statement**

**Note:**



## **A suggestion to establish a sub-group to review the risks and challenge the headings**

### **11. TREASURY MANAGEMENT 2021/22**

The Investment Manager presented a report on the actual results of the Council's treasury management during 2021/22, against the strategy approved by the Full Council on 04/03/21. It was reported that the end of year position was very robust with an increase in the usable reserves and as a result the net borrowing had reduced. This fed into the treasury management summary where a higher level of investments was seen due to the higher reserves.

In the context of the Council's borrowing activity, a quiet year was highlighted with only borrowing repayments having occurred. It was highlighted that the Council had continued to invest with Banks and Building Societies, Local Authorities, Financial Market Funds, Pooled Funds and for the first time this year the Debt Management Office (DMO). This had been done as the Council's finance levels were high and therefore needed to disperse the monies further and the DMO rates were competitive. During the year it was seen that the financial rates had been very low, but had improved once the basic rate was increased from December 2021 onwards.

Reference was made to the revisions to the code of practice that outlined that Councils cannot borrow to invest specifically for financial gains, and were not able to increase the CFR unless it involved the Council's activities. It was reported that the Council did not intend and did not need to borrow and therefore the changes did not impact Gwynedd activities

The members expressed their thanks for the report.

#### **RESOLVED**

**To accept the report and note the information**

### **12. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted for information, a report by the Audit Manager updating the Committee on the internal audit work for the period from 31 January 2022 until May 2022. It was highlighted that 16 reports on audits from the operational plan had been completed and 4 reports had been released in draft form.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That training sessions needed to be concise
- In the context of language designations, had a comparison been made with pay scale?

In response to a comment regarding the lack of completion of mandatory training (safeguarding arrangements) it was noted that an operational group had been established to look at the arrangements to ensure that employees completed the training. In accordance with the principles of Ffordd Gwynedd the hope was to empower staff to take responsibility themselves, with responsibility also on the Heads of Department to encourage and lead staff to complete the training. It was accepted that manual workers (such as care and municipal) may not have access to online modules, however, by now a package to transfer the details had been created. The Audit Manager added that she was content with the steps that were in hand.

Thanks were expressed for the report

**RESOLVED:**

**To accept the information**

**To support the actions that have already been agreed with the relevant services**

**13. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2021 - 22**

Submitted - the report of the Audit Manager, expressing Internal Audit's opinion of the overall control environment within the Authority during 2020/21 providing the said annual internal audit opinion to the Authority. It was noted that assurance can never be absolute, and the most that the internal audit service could provide to the Council was a reasonable assurance that there were no major weaknesses in the whole system of internal control.

It was reported that Covid-19 had a significant impact on the Authority as a whole and on the work of Internal Audit and as the majority of the Council's services the Internal Audit officers worked from home. It had not been possible to conduct an audit where it was necessary to visit the organisation due to the Welsh Government guidelines and restrictions. It was stated that Internal Audit had assisted the Test, Trace and Protect Service, a service launched by the Welsh Government and a total of 98.57 days had been spent on this work. Furthermore, officers had also assisted the Benefits Service in dealing with the processing of Self-isolation Payments due to the increase in the number of cases in Gwynedd at the end of 2021 and early 2022 (a total of 96.77 days had been spent on this work).

New audit priorities had been identified in response to the new risks as a result of the impact of Covid-19. These audits were completed during a challenging period with the focus of the audits being on the arrangements as a result of the pandemic and statutory audits such as grants. A limited number of audits had been conducted during 2021/2022 compared to the previous years and this was due to unprecedented and uncommon circumstances. This was considered to be an exception again this year and evidence provided by external regulators was used to support the opinion for the year. On the basis of Internal Audit work completed during 2020/2021, it was concluded that Gwynedd Council's internal control framework during the financial year 2020/2021 had operated at a level which provided reasonable assurance on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control.

A total of 42 assignments were contained in the revised audit plan for 2021/2022 with 30 (71.43% of the plan) completed by 31 March 2022. For the purposes of this measure, an assignment was counted as being completed when the final report/memorandum had been released or, if there was no report/memorandum, the assignment had been closed and no further time was expected to be spent on it - the performance ambition was 95%.

Reference was made to the list of audits from the 2021/2022 plan that had contributed to the opinion expressed.

Thanks were expressed for the report.

In response to a question regarding access to services, the willingness of officers to collaborate in the last two years was noted, however, it was intended to re-visit some schemes. Although Covid-19 may have been used as an excuse for some officers not to work together, this was very rare.

**RESOLVED**

**The report was accepted in accordance with the requirements of the Public Sector Internal Audit Standards for the 2021/22 financial year.**

## **14. INTERNAL AUDIT CHARTER**

In accordance with the Public Sector Internal Audit Standards 2013 (revised 2017) an Internal Audit Charter needed to be set out and the contents of the Charter needed to address the Local Government Application Note (2019) published by CIPFA. The Gwynedd Internal Audit Charter was presented by the Audit Manager and it was noted that it was the Committee's responsibility to approve the charter.

**Thanks were expressed for the report.**

During the ensuing discussion, the following observations were made by Members:

- That the charter summarised the Committee's role well
- The charter was of good standard and easy to follow
- It was necessary to add the word 'Audit' in point 7.1 (English version of the Charter)

## **RESOLVED**

**To accept the report and approve the Internal Audit Charter**

## **15. INTERNAL AUDIT STRATEGY AND THE ANNUAL AUDIT PLAN 2022/23**

In accordance with the requirements of the Public Sector Internal Audit Standards, a risk-based plan was submitted to determine the priorities of the Internal Audit activity, consistent with the Council's goals. It was explained that the plan was sufficiently flexible to give attention to any matters which became apparent, any adaptations / amendments to be approved by the Committee. Reference was made to the use of the AGILE methodology that provided a flexible and dynamic Internal Audit Planning as a result of continuous risk monitoring.

Reference was made to a few plans sharing the purpose of those plans with the Members.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the plan was very clear
- The audit title 'Psychological Safety' appeared terrifying
- Welsh Church Act Fund - continuing for charitable purposes?
- There was a need to consider the willingness of an individual to express an opinion
- The work programme was long - there was a need to ensure that high risk was given priority

In response to a suggestion to conduct exit interviews, it was noted that there was no policy to conduct exit interviews, however, this did not mean that no exit interviews were being conducted and therefore the suggestion to consider holding these interviews was accepted. In a supplementary comment, it was noted that conducting exit interviews would improve work conditions, was part of good practice and an opportunity to express a view without implications. In response, it was highlighted that the Corporate Support Department was piloting a formal system of holding exit interviews with the intention of expanding these once the pilot period had ended.

In response to an observation about a Planning and Environment audit and if the 'historical' was being considered here or the 'new' it was noted that follow-up work was being conducted

with evidence of the progress supporting the opinion. It was added that conducting follow-on work was dependent on an agreed timetable.

## **RESOLVED**

**To accept the report**

**To approve the Strategy and the Internal Audit Plan 2022/23**

**Note: 'Psychological Safety Audit' - the Committee recommended, as part of the discussions with the Corporate Support Department, the need to adopt a procedure of holding exit interviews.**

## **16. AUDIT WALES REPORT - QUARTER 4 UPDATE**

A report was presented on the Audit Wales work programme and timetable together with an update on the performance up to the end of March 2022. It was highlighted that a further report summarising the audit work completed since the Annual Audit Summary (published January 2022) would be published in December 2022. It was noted that the report referred to the local, regional and national work that had been completed, as well as the summary of the main messages.

It was confirmed that a 2021-22 Statement of the Council's Accounts had been received and that the work of expressing an opinion on the financial statements had commenced. Reference was made to the financial audit and performance work it was proposed to be completed together with the information about reports that had been published recently.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the report was useful
- There was a need to keep an eye on the impact of inflation
- Concern that assistance from the Government had ended although Covid-19 cases were increasing once more.

## **RESOLVED**

**To accept the report and note the information**

## **17. 2022 AUDIT PLAN - GWYNEDD COUNCIL AND MINOR JOINT COMMITTEES**

A report was submitted by Audit Wales noting the work they intended to undertake during 2022 as a means of achieving their statutory responsibilities as an external auditor for the Council and in accordance with their role under the Audit Code of Practice. It was noted that some of the risks were general to all Local Authorities and not specific to Gwynedd.

The audit of financial statements risks were discussed and it was reported, although Covid-19 restrictions had ended, there was continuous pressure on the Council to present and publish accounts and that discussions were to be undertaken to look at quality monitoring arrangements. In the context of the performance audit programme, it was referred briefly to the four plans - assurance and risk assessment; thematic review (unscheduled care); thematic review (digital) and local review of Scrutiny effectiveness.

Reference was made to the fees, the local audit team and their contact details together with the timetable and the key milestones for the work programme.

Alan Hughes and Yvonne Thomas from Audit Wales were thanked for presenting the information.

## **RESOLVED**

**To accept the report and note the information**

### **18. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS**

Members were reminded that the Committee should be satisfied that appropriate arrangements were in place to ensure that improvement proposals arising from external audits would be realised.

It was noted that the work of responding to most improvement proposals was continuous work and that the Governance Group chaired by the Chief Executive had been addressing the improvement proposals and the progress of the recommendations. It was reported that Wales Audit was now publishing quarterly reports as a means of summarising the audits that were ongoing locally, regionally and nationally.

Attention was drawn to the Local Report for Gwynedd 'The Well-being of Future Generations: Audit of 'Establishing a New Youth Service to Support Young People' noting that discussions regarding audit improvement proposals had been undertaken with Wales Audit to undertake a follow-on review by implementing the new model. Despite efforts to conduct a review, as a result of Covid-19, the work was deferred and the Youth Service had not implemented the new model as the pandemic restrictions had prevented them from providing some elements of the service. As a result, it was determined that the proposals for improvement could be set aside for now with the intention of looking at the arrangements from anew in the future.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the wording of the conclusions were vague - a key should be considered for the conclusions
- It would be better to use the term 'being planned' rather than 'in progress'. It would also be ideal to set a timetable for the plan

## **RESOLVED**

**To accept the report**

**That the Committee is satisfied that appropriate arrangements are in place to ensure that improvement proposals which arise from external audit reports are implemented**

**Note: Request to review the key to the conclusions and set a timetable for the reports that are 'in progress'**

The meeting commenced at 10:00 and concluded at 13:15

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**CHAIR**

# Agenda Item 5

MEETING:	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
DATE:	<b>8 SEPTEMBER 2022</b>
TITLE:	<b>STATEMENT OF ACCOUNTS 2021/22</b>
PURPOSE / RECOMMENDATION:	<b>TO RECEIVE THE STATUTORY STATEMENT OF ACCOUNTS (PRE-AUDIT DRAFT) FOR INFORMATION</b>
AUTHOR:	<b>DEWI MORGAN, HEAD OF FINANCE</b>
CABINET MEMBER:	<b>COUNCILLOR IOAN THOMAS</b>

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## **1. INTRODUCTION**

- 1.1 This report introduces the statutory Statement of Accounts for the 2021/22 financial year, which provides details of the Council's financial activities during the year which ended on 31 March 2022.
- 1.2 The following document is the draft Statement of Accounts in its statutory format, 88 pages long in each language.
- 1.3 The draft accounts presented here are currently subject to audit and a final version following audit will be submitted for approval at the 17 November 2022 meeting of the Governance and Audit Committee.
- 1.4 The basic form and content of these Statements is prescribed under the Accounts and Audit (Wales) Regulations 2014 (as amended), as well as other regulations and standards. Requirements under the Code of Practice on Local Authority Accounting are based on IFRS (International Financial Reporting Standards) and apply to the Council's Statement of Accounts for 2021/22. As the regulations require statements in a standard format, comparisons with other bodies' accounts is facilitated, but the statements have now become technically complex and difficult to understand.
- 1.5 A simple summary "outturn" report relating to the 2021/22 accounts was presented to the Cabinet meeting on 14 June 2022 and to the Governance and Audit Committee on 30 June 2022. That report was more useful for internal / management purposes, while the Statement of Accounts is more suited for external / governance purposes.

## **2. ACTION REQUIRED**

- 2.1 The Governance and Audit Committee are “those charged with governance” on behalf of the Council. However, the Statutory Finance Officer (the Head of Finance in Gwynedd Council) is responsible for approving and certifying the draft accounts.
- 2.2 There is no statutory requirement for elected members to approve the Council’s draft Statement of Accounts, but we consider that the submission of the draft statement to the Governance and Audit Committee for information is good practice to follow.
- 2.3 The Governance and Audit Committee members will need to approve the final version in November following receipt of the Audit Wales report. The submission of the draft now is an opportunity for committee members to consider the content and ask financial officers about the content. This is an opportunity for members to equip themselves with relevant information to consider relevant risks, and other issues that will be subject to audit, in their context.

## **3. SUBSEQUENT STEPS**

- 3.1 Further to certification by the Head of Finance and consideration by the Governance and Audit Committee, the 2021/22 Statement of Accounts, with all other relevant statements are the subject of the annual audit process by Audit Wales, Gwynedd Council’s external auditors, who were appointed by the Auditor General for Wales.
- 3.2 As noted in paragraph 1.3 (above), the final (audited) version of the Council’s 2021/22 Statement of Accounts will be submitted to the meeting of the Governance and Audit Committee on 17 November 2022 FOR APPROVAL, along with a report on behalf of the Auditor General for Wales.
- 3.3 Subsequently, it is the Finance Department’s intention to provide a link to the final Statement to all elected members and all chief officers of the Council, as well as to other interested parties.

## **4. RECOMMENDATION**

- 4.1 The Governance and Audit Committee is asked to receive and note the Council’s Statement of Accounts (subject to audit) for 2021/22.

# **Gwynedd Council**

## **STATEMENT OF ACCOUNTS 2021/22**

***Subject to Audit***

Finance Department  
[www.gwynedd.llyw.cymru](http://www.gwynedd.llyw.cymru)





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# **NARRATIVE REPORT**

## **Introduction**

Gwynedd Council's accounts for the year 2021/22 are presented here on pages 9 to 88.

The Statement of Accounts consist of:

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **Balance Sheet** - Sets out the financial position of the Council on 31 March 2022.
- **Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2021/22 for revenue and capital purposes.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

These accounts have been prepared on a going concern basis and are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

## **Gwynedd Council's Vision and Priorities**

Gwynedd Council's vision and priorities are included in the Gwynedd Council Plan that was reviewed in March 2021. The Plan supports the Council's vision, namely, for every community in Gwynedd to prosper, and for us as people to:

- Enjoy happy, healthy and safe lives,
- Receive education of the highest quality which will enable us to do what we want to do,
- Earn a sufficient salary to be able to support ourselves and our families,
- Live in quality homes within our communities,
- Live in a natural Welsh society,
- Live with dignity and independently for as long as possible,
- Take advantage of the beauty of the County's natural environment.

In accordance with the requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has adopted the above as its Well-being Objectives.

There are two main elements to the Council Plan; the Improvements Priorities which outlines the main areas we will focus our attention during the year and our seven Well-being Aims and the Departmental Plans which describes all the Council's day-to-day work. Again during 2021/22 the impact of the Covid-19 pandemic has had an impact on Gwynedd Council's work, as on all other local authorities. Details of the Council's Plan together with our response to the pandemic are available at:

<https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Corporate-plans-and-strategies/Gwynedd-Council-Plan-2018-23.aspx>

## Financial Strategy

The Council's Financial Strategy and 2021/22 Budget adopted by the Council at its meeting on 4 March 2021 sets out the foundation for us to achieve the improvement priorities, whilst also trying to meet the continuous increase in demand for our services. The Financial Strategy is unavoidably dependent upon these priorities. The strategy is available at:

<https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Finance/Financial-strategy.aspx>

2021/22 saw an increase in Gwynedd Council's grant from the Welsh Government which was sufficient to meet inflation but not sufficient to meet demand for services. Nevertheless, we have been quite successful in minimizing the impact of the savings on the residents of Gwynedd. Therefore, the financial situation will continue to pose a significant challenge to us in planning our services for the future. We will therefore continue with the task of ensuring that we achieve those efficiency savings already approved and ensure that we plan for the future to minimize any cuts to services.

The changes in response to the Covid-19 pandemic has affected the financial position of the Council. Similarly to other local authorities, Gwynedd has worked closely with the Welsh Government to cope with the situation. Additional funding was received in 2021/22 from the Welsh Government in order to meet additional costs arising from the impact of Covid-19 and to compensate the Council for loss of income during the crisis. In addition, other substantial grants were received at the end of the financial year due to the impact of Covid-19.

It is not anticipated that the pandemic will have a significant effect on the value of the Council's assets and liabilities. This assumption is to be revisited regularly.

## Performance Measuring

The Council's Performance Management Framework is a cycle which supports the planning, management and reporting on the performance of our services to ensure the best for the people of Gwynedd today and tomorrow. The Gwynedd Council Annual Performance Report describes our success in achieving our improvement priorities and also provides information on the performance of Council departments and how they assist the people of Gwynedd. The report is available at:

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Council-performance/Performance-Measuring.aspx>

## Financial Performance 2021/22

- Despite the Covid-19 crisis and the sustained need to achieve challenging savings, the final financial position of the Council's departments for 2021/22 confirms that there was effective financial management. The financial out-turn position for 2021/22 was reported to Cabinet at its meeting on 14 June 2022. Members of the Cabinet approved the net services underspend of £791k for the year.
- The financial impact of Covid-19 has been significant for the Council. With £16m claimed from the Hardship fund by the end of the year, which is a combination of additional costs of £14m and income losses of £2m.
- Due to the receipt of a number of significant Covid-19 and other grants late in the financial year, this means that the 2021/22 financial position has been transformed by the end of the year, with the grants including grants to school budgets, additional General Government Grant and Council Tax backlog.
- At the end of the 2021/22 financial year, significant pressures remain in the Highways and Municipal Department, but most departments and a number of corporate headings have operated within available resources.
- The Comprehensive Income and Expenditure Statement on page 10 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £467m during 2021/22, with the net position as £288m.
- The 2021/22 financial position was taken into consideration in the process of establishing the 2022/23 budget.

## TABLE I – Budget and Actual Comparison Summary (Net)

The Council's net budget is mainly financed through council tax, general government grants and national non-domestic rates and totals £300m for 2021/22.

Table I provides a budgetary performance comparison at a summary level, and which is detailed further in Table 2.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Expenditure on Operations	294,732	299,413	4,681
Departmental Carry Forward at year-end	0	791	791
	<hr/>	<hr/>	<hr/>
	294,732	300,204	5,472
Financed by -			
Council Tax Income	(99,939)	(100,516)	(577)
Revenue Grants and Contributions	0	(916)	(916)
Share of National Non-Domestic Rate	(41,974)	(41,974)	0
General Government Grants	(152,819)	(155,298)	(2,479)
Contribution from the General Fund Balance	0	(1,500)	(1,500)
	<hr/>	<hr/>	<hr/>
	0	0	0

The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 10 and 11 detail the movements for the year.

**TABLE 2 – Transposition movement between ‘Budget and Actual Comparison Summary (Net)’ (Table 1) to the Income and Expenditure format reflecting Departmental Management Structure.**

Department	Performance Report (Outturn)	Transposition Adjustment	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Education	93,738	(7,606)	86,132	12,373	98,505
Corporate Support	7,114	(76)	7,038	1,778	8,816
Finance	6,323	(203)	6,120	3,028	9,148
Economy and Community	3,853	(1,168)	2,685	3,920	6,605
Adults, Health and Well-being	57,705	(472)	57,233	8,577	65,810
Children and Family Support	19,123	(231)	18,892	2,792	21,684
Highways and Municipal (including Trunk Roads)	25,107	(427)	24,680	12,141	36,821
Environment	3,109	(165)	2,944	5,143	8,087
Housing and Property	3,449	(389)	3,060	4,606	7,666
Corporate Management Team and Legal	1,810	(11)	1,799	336	2,135
Gwynedd Consultancy	(216)	0	(216)	1,716	1,500
Corporate	40,072	(21,840)	18,232	2,910	21,142
<b>Cost of Services</b>	<b>261,187</b>	<b>(32,588)</b>	<b>228,599</b>	<b>59,320</b>	<b>287,919</b>
Other (Contains Centralised and Corporate Adjustment)	39,017	32,588	71,605	(59,320)	12,285
<b>Total</b>	<b>300,204</b>	<b>0</b>	<b>300,204</b>	<b>0</b>	<b>300,204</b>

Transposition Adjustment - Adjustments in the transposition column relate to the net contribution to and from reserves.

- **Material Items of Income and Expenditure**

Related items include:

- £165m on pensions, being the annual remeasurement of the net pension defined benefit liability relating to pensions, in line with Gwynedd Pension Fund’s Actuary’s assessment (Note 23.5).
- Following a revaluation of part of the Council’s land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus arising from the fixed asset revaluation to the Revaluation Reserve is £16m (Note 23.1) and the revaluation and impairment cost to the Services is £4m (Note 15).
- Receipt of specific grants, additional expenditure and loss of income relating to Covid-19 which has been compensated by the Welsh Government to the value of £16.1m for Gwynedd in 2021/22 (Note 32).

- **Other Issues**

- There are financial risks with the global economy and the Authority has taken the circumstances into account in its financial plans, while maintaining a prudent level of reserves.
- Continued economic uncertainty following the termination of the UK's membership of the European Union and this may affect some factors and financial decisions by the Authority.

- The current Covid-19 crisis remains a financial challenge for the Council in the short and medium term.

### Capital Expenditure in 2021/22

Capital expenditure for 2021/22 amounted to £37m. The following table gives an analysis of this expenditure and the way it was financed.

**TABLE 3 - SUMMARY OF CAPITAL EXPENDITURE AND FINANCING**

2020/21 £'000		2021/22 £'000
7,464	Education	7,521
3,468	Environment	10,288
161	Corporate Support	60
749	Finance	598
1,175	Economy and Community	2,882
4,689	Housing and Property	4,444
1,914	Adults, Health and Wellbeing	1,378
744	Children and Family Support	1,468
4,798	Highways and Municipal	8,045
2,505	Gwynedd Consultancy	370
<b>27,667</b>		<b>37,054</b>
	<b>FINANCED BY -</b>	
4,128	Borrowing	2,985
22,264	Grants and Contributions	33,990
43	Capital Receipts	79
1,232	Revenue and Other Funds	0
<b>27,667</b>		<b>37,054</b>

- Revenue Expenditure Funded from Capital Under Statute of £7.1m is included in the above table. This has been charged to the Income and Expenditure Statement in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £30.5m as shown in Notes 15 and 20.
- The Council's Loan Debt at 31 March 2022 was £103.9m – a decrease of £6.3m (from £110.2m) during the year. Repayments of £6.6m were made in accordance with the terms of individual loans.

### Provisions and Reserves

In addition to the unearmarked element of General Balances of £7.9m, the Council had other provisions of £8.7m, earmarked reserves of £106m and school balances of £16.7m. In total, these amounted to £139.3m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Note 10 and 22.

The adequacy of the Council's specific reserves and provisions was reviewed by the Head of Finance in closing the accounts this year, in accordance with the approved policy. This review was successful in harvesting £851k of resources, which Cabinet (at its meeting on 14 June 2022) approved its use to help fund the Highways and Municipal Department's overspend and the return of an element to the Council's overall balances.

During the year, the Cabinet approved the use of £2m of the Council's overall balances to contribute towards the Gwynedd Schools Digital Strategy.

## **Covid-19 and Government Grants**

The impact of Covid-19 has seen the continuation of grants and financial support available from Government. As noted previously, between compensating the Council for additional expenditure, Furlough and loss of income, the Council received £16m in Government support during 2021/22. Refer to analysis in revenue outturn report to Cabinet 14 June 2022.

Agenda for The Cabinet on Tuesday, 14th June, 2022, 1.00 pm (llyw.cymru)

Other grants have enabled us to meet the additional costs associated with the pandemic for commissioned services including the Care Sector. We were also asked to administer a number of grants or financial support on behalf of the Welsh Government, including the distribution of grants to county businesses during the lockdown periods, payments to care workers, Self-isolation payments, School meal payments and winter fuel (Note 28).

## **Pension Fund**

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans Robertson, of the Council's share of the Pension Fund liability. This net liability has decreased by £122m to £242m in 2021/22. Refer to Note 38 for further information.

The net pension liability is a position at one point in time. Market prices can move substantially up or down in the short term and it is therefore not possible to quantify the long-term effect such movements in market prices will have on the Pension Fund. The last valuation was at 31 March 2019, with the next based on 31 March 2022 for the 2022/23 accounts.

## **Governance**

Gwynedd Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Further information is included within the Annual Governance Statement.

## **Accounting Policies**

The Council's existing accounting policies are amended only insofar as to reflect the guidance in the 2021/22 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

## **Changes in Accounting Policies and to the Accounts**

The Council's existing accounting policies have been amended to reflect only the changes required in accordance with proper accounting practices, following adjustments for the 2021/22 financial year to the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Further Information**

The Statement of Accounts is available on Gwynedd Council's website [www.gwynedd.llyw.cymru](http://www.gwynedd.llyw.cymru).

Further information relating to the accounts is available from:

Ffion Madog Evans	or	Sian Pugh
Senior Finance Manager		Group Accountant – Corporate and Projects
01286 679133		01286 679134

Finance Department  
Gwynedd Council  
Council Offices  
Caernarfon  
Gwynedd  
LL55 1SH

This is part of the Council's policy of providing full information relating to the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website at the appropriate time.

# **GWYNEDD COUNCIL**

## **STATEMENT OF ACCOUNTS**

### **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

#### **THE COUNCIL'S RESPONSIBILITIES**

Gwynedd Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that "Section 151 Officer" is the Head of Finance. It is also the Council's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

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#### **THE HEAD OF FINANCE'S RESPONSIBILITIES**

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the Statement of Accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent and complied with the Code.

The Head of Finance has also kept proper accounting records which were up to date, and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

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#### **RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31 March 2022 and the Council's income and expenditure for the year then ended.



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**Dewi Aeron Morgan CPFA**  
**Head of Finance, Gwynedd Council**

**10 June 2022**



## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<b>EXPENDITURE AND FUNDING ANALYSIS</b>						
<b>2020/21</b>				<b>2021/22</b>		
<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between the Accounting Basis and Funding Basis (see Note 8 &amp; 9)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>		<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between the Accounting Basis and Funding Basis (see Note 8 &amp; 9)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
84,230	8,837	93,067	Education	86,132	12,373	98,505
7,141	750	7,891	Corporate Support	7,038	1,778	8,816
5,738	1,393	7,131	Finance	6,120	3,028	9,148
3,240	3,062	6,302	Economy and Community	2,685	3,920	6,605
53,842	4,036	57,878	Adults, Health and Well-being	57,233	8,577	65,810
18,604	1,142	19,746	Children and Family Support	18,892	2,792	21,684
21,030	7,023	28,053	Highways and Municipal (including Trunk Roads*)	24,680	12,141	36,821
3,138	4,081	7,219	Environment	2,944	5,143	8,087
2,957	2,661	5,618	Housing and Property	3,060	4,606	7,666
1,515	119	1,634	Corporate Management Team and Legal	1,799	336	2,135
(298)	911	613	Gwynedd Consultancy	(216)	1,716	1,500
12,048	(494)	11,554	Corporate	18,232	2,910	21,142
<b>213,185</b>	<b>33,521</b>	<b>246,706</b>	<b>Cost of Services</b>	<b>228,599</b>	<b>59,320</b>	<b>287,919</b>
25,037	(152)	24,885	Other Operating Expenditure	26,175	503	26,678
14,450	(2,608)	11,842	Financing and Investment Income and Expenditure	12,842	281	13,123
(281,141)	(21,577)	(302,718)	Taxation and Non-specific Grant Income	(298,704)	(32,983)	(331,687)
<b>(28,469)</b>	<b>9,184</b>	<b>(19,285)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(31,088)</b>	<b>27,121</b>	<b>(3,967)</b>
(71,090)			Opening General Fund Balance	(99,559)		
(28,469)			(Surplus)/Deficit on General Fund in year	(31,088)		
<b>(99,559)</b>			Closing General Fund Balance	<b>(130,647)</b>		

\* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

2020/21			Note	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
120,052	(26,985)	93,067	Education	135,425	(36,920)	98,505
10,059	(2,168)	7,891	Corporate Support	10,049	(1,233)	8,816
11,120	(3,989)	7,131	Finance	12,953	(3,805)	9,148
13,765	(7,463)	6,302	Economy and Community Adults, Health and Well-being	16,710	(10,105)	6,605
88,223	(30,345)	57,878	Children and Family Support	100,337	(34,527)	65,810
33,312	(13,566)	19,746	Highways and Municipal (including Trunk Roads*)	37,402	(15,718)	21,684
49,250	(21,197)	28,053	Environment	55,380	(18,559)	36,821
18,458	(11,239)	7,219	Housing and Property	19,683	(11,596)	8,087
15,410	(9,792)	5,618	Corporate Management	19,867	(12,201)	7,666
2,083	(449)	1,634	Team and Legal	3,006	(871)	2,135
6,190	(5,577)	613	Gwynedd Consultancy	7,373	(5,873)	1,500
43,992	(32,438)	11,554	Corporate	48,618	(27,476)	21,142
<b>411,914</b>	<b>(165,208)</b>	<b>246,706</b>	<b>Cost of Services</b>	<b>466,803</b>	<b>(178,884)</b>	<b>287,919</b>
25,037	(152)	24,885	Other Operating Expenditure	26,678	0	26,678
12,270	(428)	11,842	Financing and Investment	13,679	(556)	13,123
0	(302,718)	(302,718)	Income and Expenditure Taxation and Non-specific Grant Income	0	(331,687)	(331,687)
<b>449,221</b>	<b>(468,506)</b>	<b>(19,285)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>507,160</b>	<b>(511,127)</b>	<b>(3,967)</b>
		(28,482)	(Surplus)/Deficit on revaluation of Fixed Assets	23.1		(15,511)
		(655)	(Surplus)/Deficit on revaluation of Financial Instruments	23.3		(930)
		100,979	Remeasurements of the net pension defined benefit liability/(asset)	23.5		(165,463)
		<b>71,842</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(181,904)</b>
		<b>52,557</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(185,871)</b>

\* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in the year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

		<i>Additional Information</i>			<b>Statement of Movement in Reserves</b>				
Note	Unearmarked General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance 31 March 2020 carried forward</b>	(7,572)	(59,185)	(4,333)	(71,090)	(2,211)	(4,725)	<b>(78,026)</b>	<b>(34,970)</b>	<b>(112,996)</b>
<u>Movement in reserves during 2020/21</u>									
Total Comprehensive Income and Expenditure	(19,285)	0	0	(19,285)	0	0	<b>(19,285)</b>	<b>71,842</b>	<b>52,557</b>
Adjustments between accounting basis and funding basis under regulations	9 (9,184)	0	0	(9,184)	(162)	(1,261)	<b>(10,607)</b>	<b>10,607</b>	<b>0</b>
<b>(Increase)/Decrease in 2020/21</b>	<b>(28,469)</b>	<b>0</b>	<b>0</b>	<b>(28,469)</b>	<b>(162)</b>	<b>(1,261)</b>	<b>(29,892)</b>	<b>82,449</b>	<b>52,557</b>
Transfers to/from Earmarked Reserves	10 26,629	(20,209)	(6,420)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<i>(Increase)/Decrease in 2020/21 (showing transfers to Earmarked Reserves)</i>	<i>(1,840)</i>	<i>(20,209)</i>	<i>(6,420)</i>	<i>(28,469)</i>	<i>(162)</i>	<i>(1,261)</i>	<i><b>(29,892)</b></i>	<i><b>82,449</b></i>	<i><b>52,557</b></i>
<b>Balance 31 March 2021 carried forward</b>	(9,412)	(79,394)	(10,753)	(99,559)	(2,373)	(5,986)	<b>(107,918)</b>	<b>47,479</b>	<b>(60,439)</b>
<u>Movement in reserves during 2021/22</u>									
Adjustments to the opening balance	0	0	0	0	0	0	<b>0</b>	<b>112</b>	<b>112</b>
Total Comprehensive Income and Expenditure	(3,967)	0	0	(3,967)	0	0	<b>(3,967)</b>	<b>(181,904)</b>	<b>(185,871)</b>
Adjustments between accounting basis and funding basis under regulations	9 (27,121)	0	0	(27,121)	(206)	(3,381)	<b>(30,708)</b>	<b>30,708</b>	<b>0</b>
<b>(Increase)/Decrease in 2021/22</b>	<b>(31,088)</b>	<b>0</b>	<b>0</b>	<b>(31,088)</b>	<b>(206)</b>	<b>(3,381)</b>	<b>(34,675)</b>	<b>(151,084)</b>	<b>(185,759)</b>
Transfers to/from Earmarked Reserves	10 32,588	(26,646)	(5,942)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<i>(Increase)/Decrease in 2021/22 (showing transfers to Earmarked Reserves)</i>	<i>1,500</i>	<i>(26,646)</i>	<i>(5,942)</i>	<i>(31,088)</i>	<i>(206)</i>	<i>(3,381)</i>	<i>(34,675)</i>	<i>(151,084)</i>	<i>(185,759)</i>
<b>Balance 31 March 2022 carried forward</b>	(7,912)	(106,040)	(16,695)	(130,647)	(2,579)	(9,367)	<b>(142,593)</b>	<b>(103,605)</b>	<b>(246,198)</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021	Note	31 March 2022
£'000		£'000
493,791	15	518,117
60		60
165	16	165
2,183	15	2,256
17	17	17
4,371	17	3,989
<b>500,587</b>		<b>524,604</b>
34,918	17	79,859
73	20	0
1,948		2,293
84,232	18	107,045
28,618	19	18,068 *
<b>149,789</b>		<b>207,265</b>
(18,221)	19	(35,878) *
(7,090)	17	(2,055)
(80,018)	21	(80,880)
(315)	22	(316)
(6,585)	32	(10,540)
<b>(112,229)</b>		<b>(129,669)</b>
(7,752)	22	(8,388)
(103,110)	17	(101,807)
(363,852)	38	(242,165)
(1,370)	35	(1,189)
(1,624)	32	(2,453)
<b>(477,708)</b>		<b>(356,002)</b>
<b>60,439</b>		<b>246,198</b>
(107,918)		(142,593)
47,479	23	(103,605)
<b>(60,439)</b>		<b>(246,198)</b>

\* The £16.8m that is relevant to the North Wales Economic Ambition Board (NWEAB) and the £1.6m that is relevant to the GwE Joint-Committee has been included in the cash and bank balances above.

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from Financing Activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2020/21 £'000		<i>Nodyn</i>	2021/22 £'000
(19,285)	Net (Surplus)/Deficit on Provision of Services		(3,967)
(66,344)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24a	(56,084)
222	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24b	307
(85,407)	Net cash flows from Operating Activities		(59,744)
52,154	Investing Activities	25	81,443
15,418	Financing Activities	26a	6,508
(17,835)	Net (increase)/decrease in cash and cash equivalents		28,207
7,438	Cash and cash equivalents at the beginning of the reporting period	19	(10,397)
<b>(10,397)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>17,810</b>

# **NOTES TO THE ACCOUNTS**

## **NOTE I – ACCOUNTING POLICIES**

### **I.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended), in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis.

In relation to a policy regarding capitalisation of expenditure, our practice is to operate on the basis of the nature of expenditure rather than a prescribed level of expenditure.

### **I.2 Accruals of Expenditure and Income**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **I.3 Cash and Cash Equivalents**

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

### **I.4 Contingent Assets / Contingent Liabilities**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet, but disclosed in the Contingent Liabilities and Contingent Assets notes in the accounts.

## **NOTE I – ACCOUNTING POLICIES (continued)**

### **1.5 Corporate**

The Corporate heading includes items relating to corporate policy-making and member activities, and costs that relate to the general running of the Authority.

### **1.6 Employee Benefits**

#### **1.6.1 Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **1.6.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept redundancy voluntarily and are charged on an accruals basis to the appropriate service or, where applicable, to the Corporate Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **1.6.3 Post-Employment Benefits**

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Capita Teachers' Pensions on behalf of the Westminster Government's Department for Education
- The Local Government Pension Scheme, administered by the Gwynedd Pension Fund at Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Education and Children and Family Support line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

#### **1.6.4 The Local Government Pension Scheme**

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme. The pension costs charged to the Authority's accounts in respect of this group of employees are determined by the fund administrators and represent a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme.

The liabilities of the Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projected earnings for current employees.

## NOTE I – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value as determined by the Fund's Actuary.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate costs.
- Net interest on the net pension defined benefit liability/(asset), i.e. the net interest expense for the Authority – the change during the period in the net pension defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net pension defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net pension defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net pension defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

International Accounting Standard (IAS) 19 governs how the long-term liabilities which exist in relation to pension costs should be reported. Local councils in England and Wales are required to produce their financial statements in accordance with IAS19.



## **NOTE I – ACCOUNTING POLICIES (continued)**

### **1.6.5 Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **1.7 Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.8 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.9 Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority holds financial assets measured at:

- amortised cost, and

## **NOTE I – ACCOUNTING POLICIES (continued)**

- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI). A separate accounting policy is required where an Authority holds financial instruments at fair value through other comprehensive income.

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the Authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

### **Financial Assets Measured at Fair Value Through Other Comprehensive Income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### **Financial Assets Measured at Fair Value through Profit and Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurements of Financial Assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

## **NOTE I – ACCOUNTING POLICIES (continued)**

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The measurement of our assets held at FVOCI is unit bid price at the measurement date.

### **1.10 Government Grants and Other Contributions**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised immediately in the relevant service line in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income charges due to the capital control regime requirements to finance capital expenditure as part of the Capital Financing Requirement. Therefore, the Authority accounts for these amounts as follows:

- Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant is recognised as a Capital Grant Receipt in Advance on the Balance Sheet. Once the condition has been met, the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

### **1.11 Heritage Assets**

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge or culture. The Council has identified the following categories of heritage assets:

- Pictures and Paintings
- Civic Regalia
- Library Collections/Archives
- Museums and Art Gallery Collections
- Historic Buildings and Scheduled Monuments
- Parks and Local Nature Reserves

The Council used an external valuer (Bonhams) to provide estimated valuations of its civic regalia and paintings and pictures. For consistency, the Council has applied the same deminimis levels for valuation purposes to Heritage Assets as its other long-term assets – see policy 1.17.

The Council considers that Heritage Assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage Assets recognised in the accounts will be assessed annually for any impairment – see policy 1.17.

### **1.12 Inventories and Long-Term Contracts**

Stocks and work in progress should be shown in the Balance Sheet at the lower of cost and net realisable value, in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock systems, the majority of stock is shown in the accounts at average cost. The difference from the basis of valuation is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **1.13 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. These properties are valued on a fair value basis. Valuations are based on specific techniques, and the inputs to

## **NOTE I – ACCOUNTING POLICIES (continued)**

these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

### **1.14 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of the property, plant or equipment to the lessee. All other leases are classified as operating leases.

#### **The Authority as Lessee:**

Amounts held under finance leases are initially recognised, at the commencement of the lease, at fair value (or, if lower, the present value of the minimum lease payments), with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between a finance charge (charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and a charge is applied to write down the lease liability. The related asset is treated in accordance with the policies applied generally to such assets and is subject to depreciation charges as appropriate.

Operating lease payments are charged to the Comprehensive Income and Expenditure Statement as an expense of the relevant service on a straight-line basis over the lease term.

#### **The Authority as Lessor:**

Where the Authority grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal, to be included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Rental income from property granted under an operating lease is recognised on a straight-line basis in the Comprehensive Income and Expenditure Statement, and the asset is retained in the Balance Sheet.

### **1.15 Surplus Assets**

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on market value. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

### **1.16 Overheads and Support Services**

Some overheads and support services costs are apportioned to the appropriate services in accordance with the Council's arrangements for accountability and financial performance.

### **1.17 Long-Term Assets**

The Council's assets as recorded on the Property Services database are revalued at least every five years. Since the 2015/16 financial year, the Authority has established a rolling programme for re-valuing different categories of these assets annually, with valuation usually effective on 31 March each year. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Land and Buildings are shown at fair value or Depreciated Replacement Cost (DRC) for specialised properties.

Investment Properties are shown at fair value.

Vehicles, Plant, Furniture and Equipment are shown at depreciated historical cost.

Infrastructure and community assets are shown at depreciated historical cost.

Assets in the course of construction are included at historical cost until such time as they are completed, when they are valued in accordance with the accounting policies and transferred to the appropriate category of asset.

## **NOTE I – ACCOUNTING POLICIES (continued)**

A de minimis limit for valuation purposes of £20,000 is used for the Council's operational Land and Buildings and £5,000 for single items of Vehicles, Plant, Furniture and Equipment.

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Land and Buildings, and Community Assets where expenditure in year of over £100,000 has been incurred on a single asset, the Council's Senior Estates Surveyor (M.R.I.C.S.) reviews the assets and revalues any one as appropriate.

### **Impairment and Depreciation**

#### **Impairment**

An impairment is the consumption of economic benefit that is specific to an asset. In line with International Accounting Standard 36 the Council reviews its assets each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. In addition, the residual values and useful lives of assets are reviewed annually and adjusted where appropriate.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve for an asset or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

#### **Depreciation**

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de minimis threshold, below which assets are disregarded for componentisation purposes, needs to be established, which is based on potential material impacts on the financial statements. For the 2021/22 financial year this has been set at 1% of the total value of the buildings at the beginning of the year. The apportionment to be considered for the non-land element of assets above the de minimis threshold is:

- a) plant and equipment and engineering services, and
- b) structure

The majority of the Council's buildings (over 75%) are valued using the DRC (Depreciated Replacement Cost) method, which is developed on a component approach, and the identification of the components is reflected in the details of the calculations. However, identified within the above are buildings which include material items of plant and equipment which are deemed to have shorter useful lives, e.g. boilers and heating equipment within swimming pools and leisure centres. These components are recognised by adjusting the useful life of the building to take account of the shorter life components.

For the remaining buildings, based on a review of the nature and type of buildings which the Council owns, these are deemed to have no significant items of plant and equipment or engineering services that need to be componentised separately.

Depreciation is generally charged on the Balance Sheet value of assets to write them off as follows:

- (i) Vehicles, Plant, Furniture and Equipment are depreciated over their estimated useful life (3–15 years, or more with supporting evidence)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated remaining useful life (5–80 years)
- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition. **Page 37**

## **NOTE 1 – ACCOUNTING POLICIES (continued)**

### **Minimum Revenue Provision**

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to “have regard” to such Guidance under section 21(1B) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: Capital Financing Requirement Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

*NB This does not preclude other prudent methods.*

MRP in 2021/22: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement was submitted to Council before the start of the 2021/22 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

The Council applied Option 1 in respect of supported capital expenditure funded from borrowing, and Option 3 in respect of unsupported capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the IFRS-based Accounting Code of Practice matches the annual principal repayment for the associated deferred liability.

The Authority will be reviewing this policy annually in light of the Asset Management Plan.

In accordance with the Code of Practice, revenue financing of capital expenditure on Council Fund Services is appropriated to the Capital Adjustment Account.

### **1.18 Council Tax and National Non-Domestic Rates**

Council Tax and National Non-Domestic Rates income for the year is treated as accrued income, and is included within the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Gwynedd Council is a Council Tax and Non-Domestic Rates billing Authority. It collects Council Tax on behalf of itself and other authorities, and collects Non-Domestic Rates as an agent on behalf of the Welsh Government.

### **1.19 Provisions**

The Council sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. Provisions are also made for doubtful debts. Known uncollectable debts are written off against the relevant service. The Council classifies these provisions as long-term or short-term liabilities as appropriate according to the nature of each provision.

### **1.20 Reserves (and Balances)**

In accordance with the requirements of the Local Government Act 1992, the Council maintains a –

- General Fund which represents the general reserves (“balances”) of the Authority, namely a working balance to help cushion the impact of uneven cash flows and as a contingency to cushion the impact of unexpected events or emergencies.
- Number of capital and revenue Specific Reserves earmarked for specific purposes, namely, money accumulated to meet anticipated commitments. The Council undertakes a continuous review of the adequacy and use of specific reserves.

## **NOTE I – ACCOUNTING POLICIES (continued)**

- The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium-term financial strategy, the Council will set out its intention regarding the level of general balances and reserves, in the context of all relevant risks. Refer to the approval of the full policy in respect of reserves by the Council Cabinet on 23 June 2015.
- Certain reserves, namely “unusable reserves”, are kept for the technical purpose of managing the accounting processes for non-current assets, financial instruments and employee benefits. These do not represent the usable resources of the Authority.

### **1.21 Revenue Expenditure Funded from Capital Under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax. This type of expenditure is valued at historical cost and written down over a year.

### **1.22 Value Added Tax**

Only in a situation when VAT is irrecoverable will VAT be included or charged as ‘irrecoverable VAT’ in capital and revenue expenditure.

### **1.23 Debtors and Creditors**

The Council’s accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. The accounts reflect actual expenditure and income relating to the year in question irrespective of whether the payments or receipts have actually been paid or received in the year.

An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years, and certain annual payments such as insurance. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts.

### **1.24 Allocation of Interest and Receivable Dividends**

The Authority invests surplus funds for periods varying from overnight to 13 months (with the exception of investments in pooled funds) and the interest is credited to the General Fund, Gwynedd Pension Fund, Welsh Church Fund and other trust funds and joint committees based on the level of their daily balances and the rate of interest earned. The dividends from the pooled funds are paid into the General Fund.

### **1.25 Borrowing Costs**

The Authority does not capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as permitted by the Code.

Interest payable on external loans is included in the accounts in the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

### **1.26 Interest in Companies and Other Entities**

In the Authority’s accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **1.27 Current Assets Held for Sale**

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at fair value (market value) less costs to sell on reclassification. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority’s inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

## **NOTE I – ACCOUNTING POLICIES (continued)**

### **1.28 Disposal of Assets**

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

### **1.29 Capital Receipts**

When the Authority sells an asset, legislation prescribes the use of the proceeds received.

All capital receipts that belong to the Council's Fund are 100% usable and it is no longer necessary to set aside a percentage of the receipt. The receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure.

### **1.30 Service Concession Arrangements**

Service Concession Arrangements, otherwise known as Private Finance Initiative (PFI) schemes, are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor for the duration of the contract but where the assets transfer to the Authority at the end of the period without any additional cost. The Authority controls the service that is provided and is able to control who else is able to use the facility. The cost of using the facility is agreed with the Company before setting the agreement through a competitive dialogue process.

### **1.31 Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises its share of assets, liabilities, revenue and expenses.

### **1.32 Schools**

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local Authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local Authority accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

### **1.33 Fair Value Measurement of Non-Financial Assets**

The Authority's accounting policy for fair value measurement of financial asset is set out in note 1.9. The Authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a. in the principal market for the asset, or
- b. in the absence of a principal market, in the most advantageous market for the asset.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



## **NOTE I – ACCOUNTING POLICIES (continued)**

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset.

### **I.34 Other Policies**

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2021/22 financial year:

- Intangible Assets
- Foreign Currency Conversion.

## **NOTE 2- CHANGE IN ACCOUNTING POLICY**

The Council's existing accounting policies are amended only insofar as to reflect the guidance in the 2021/22 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

## **NOTE 3- PRIOR PERIOD ADJUSTMENTS**

There are no prior period adjustments during 2021/22.

## **NOTE 4 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires the expected impact of any accounting standards that have been issued but not yet adopted to be disclosed. This applies to the following new or amended standards within the 2022/23 Code:

Annual Improvements to IFRS 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

The Code requires implementation from 1 April 2022 and therefore there is no impact on the 2021/22 Statement of Accounts, and none of the new or amended standards within the 2022/23 Code are expected to have a material impact on the information provided in the financial statements.

## **NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make judgements, estimates and assumptions relating to complex transactions, those involving uncertainty about future events and also the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgements, estimates and associated assumptions applied are based on current proper practices, historical experience, and other factors that include historical and current assumptions and projections, and actual future projections, professional assessments, current trends, and local factors that are considered to be relevant.

In recent years there has been some uncertainty about future levels of funding from Welsh Government relating to revenue and capital grants. This issue forms an important part of the Council's continually revised financial strategy, and where all known and forecasted factors are given due consideration. Continued economic uncertainty following Britain leaving the European Union remains. Whilst the effects of the Covid-19 crisis remains a financial challenge for the Council in the short and medium term. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and significantly reduce levels of service provision.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as the revaluation, depreciation and impairment of assets, actuarial valuation of pension fund assets and liabilities, earmarked reserves, provisions and contingent liability. However, because these issues cannot be determined with certainty, actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.

## **NOTE 6 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because certain balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Authority's Balance Sheet at 31 March 2022 may be considered to be a significant risk (in terms of certainty in estimation of value), with the possibility of material adjustment in the forthcoming financial year:

- **Property, Plant and Equipment** – Assets are depreciated over their useful life in accordance with standard accounting and associated practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. The current economic climate brings with it uncertainties for councils in their ability to sustain the necessary spending on repair and maintenance. This obviously would have implications on asset life. Land and buildings are revalued at least every five years, and since 2015/16 a rolling programme of revaluation has been introduced. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – There are provisions contained within these accounts, the basis of which have been individually assessed from the latest information available, as detailed in Note 22, and include provisions for Waste Sites. We are unable to confirm the accuracy of the provisions until such matters are concluded.
- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgements and varying profiles such as discount rate used, projected salary levels, changes in retirement ages, mortality rates and expected returns on Pension Fund assets, as provided by Actuaries engaged by the Pension Fund. Further details are contained in Note 37 and 38.
- **Doubtful Debts Impairment** – A specific impairment level policy in respect of doubtful debts is contained within the accounts. The impairment level is reviewed regularly in order to respond to any changes in the economic climate such as the current Covid-19 crisis, and necessary action taken as appropriate within the accounts to respond accordingly. Doubtful Debts impairments are contained within the figures for Short-Term Debtors contained in Note 18a.

## **NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE**

Related items include:

- £165m on pensions, being the annual remeasurement of the net pension defined benefit liability relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 23.5).
- Following a revaluation of part of the Council's land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus arising from the fixed asset revaluation to the Revaluation Reserve is £16m (Note 23.1) and the revaluation and impairment cost to the Services is £4m (Note 15).
- Receipt of specific grants, additional expenditure and loss of income relating to Covid-19 which has been compensated by the Welsh Government to the value of £16.1m for Gwynedd in 2021/22 (Note 32).

## NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<u>2021/22</u>	<u>ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS</u>					
	<u>Adjustments for Capital Purposes (i)</u>	<u>Net change for the Pensions Adjustments (ii)</u>	<u>Other Differences (iii)</u>	<u>Total Statutory Adjustments</u>	<u>Other (Non-statutory) Adjustments (iv)</u>	<u>Total Adjustments</u>
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Education	5,389	6,984	0	12,373	0	12,373
Corporate Support	12	1,766	0	1,778	0	1,778
Finance	1,131	1,897	0	3,028	0	3,028
Economy and Community	2,745	1,175	0	3,920	0	3,920
Adults, Health and Well-being	1,070	7,740	0	8,810	(233)	8,577
Children and Family Support	0	2,792	0	2,792	0	2,792
Highways and Municipal (including Trunk Roads*)	5,175	6,966	0	12,141	0	12,141
Environment	3,544	1,599	0	5,143	0	5,143
Housing and Property	3,388	1,218	0	4,606	0	4,606
Corporate Management Team and Legal	2	334	0	336	0	336
Gwynedd Consultancy	448	1,268	0	1,716	0	1,716
Corporate	1	2,293	665	2,959	(49)	2,910
<b>Cost of Services</b>	<b>22,905</b>	<b>36,032</b>	<b>665</b>	<b>59,602</b>	<b>(282)</b>	<b>59,320</b>
Other Operating Expenditure	503	0	0	503	0	503
Financing and Investment Income and Expenditure	(7,529)	7,632	(104)	(1)	282	281
Taxation and non-specific grant income	(32,983)	0	0	(32,983)	0	(32,983)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(17,104)</b>	<b>43,664</b>	<b>561</b>	<b>27,121</b>	<b>0</b>	<b>27,121</b>

\* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

**NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)**

<u>2020/21</u>	<u>ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS</u>					
	<u>Adjustments for Capital Purposes (i)</u>	<u>Net change for the Pensions Adjustments (ii)</u>	<u>Other Differences (iii)</u>	<u>Total Statutory Adjustments</u>	<u>Other (Non-statutory) Adjustments (iv)</u>	<u>Total Adjustments</u>
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Education	6,645	2,192	0	8,837	0	8,837
Corporate Support	12	738	0	750	0	750
Finance	675	718	0	1,393	0	1,393
Economy and Community	2,621	441	0	3,062	0	3,062
Adults, Health and Well-being	1,157	3,058	0	4,215	(179)	4,036
Children and Family Support	57	1,085	0	1,142	0	1,142
Highways and Municipal (including Trunk Roads*)	4,533	2,490	0	7,023	0	7,023
Environment	3,460	621	0	4,081	0	4,081
Housing and Property	2,226	435	0	2,661	0	2,661
Corporate Management Team and Legal	1	118	0	119	0	119
Gwynedd Consultancy	391	520	0	911	0	911
Corporate	31	41	(207)	(135)	(359)	(494)
<b>Cost of Services</b>	<b>21,809</b>	<b>12,457</b>	<b>(207)</b>	<b>34,059</b>	<b>(538)</b>	<b>33,521</b>
Other Operating Expenditure	(152)	0	0	(152)	0	(152)
Financing and Investment Income and Expenditure	(8,831)	5,771	(86)	(3,146)	538	(2,608)
Taxation and non-specific grant income	(21,577)	0	0	(21,577)	0	(21,577)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(8,751)</b>	<b>18,228</b>	<b>(293)</b>	<b>9,184</b>	<b>0</b>	<b>9,184</b>

\* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

**(i) Adjustments for Capital Purposes**

- For **services**, this column adds in depreciation, impairment and revaluation gains and losses.
- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing, i.e. revenue provision for the financing of capital investment and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)

### (ii) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* for pension-related expenditure and income:

- For **services**, this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### (iii) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Services**, this represents an adjustment for accumulated absences earned but not taken during the year.
- For **Financing and investment income and expenditure**, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

### (iv) Other (Non-statutory) Adjustments

- **Services** - the impairment loss allowance on Trade Debtors is deducted and transferred to financing and investment income and expenditure.
- **Financing and investment income and expenditure** – adjusted to include the transfer of the impairment loss allowance on Trade Debtors from services.

## NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2021/22	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>				
<b>Adjustments to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	(43,664)	0	0	43,664
Financial instruments (transferred to the Financial Instruments Adjustments Account)	22	0	0	(22)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	(560)	0	0	560
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9,575	0	0	(9,575)
<b>Total Adjustments to Revenue Resources</b>	<b>(34,627)</b>	<b>0</b>	<b>0</b>	<b>34,627</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22)	(285)	0	307
Revenue provision for the financing of supported capital investment	5,387	0	0	(5,387)
Revenue provision for the financing of unsupported capital investment	2,141	0	0	(2,141)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>7,506</b>	<b>(285)</b>	<b>0</b>	<b>(7,221)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	79	0	(79)
Application of capital grants to finance capital expenditure	0	0	(3,381)	3,381
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>79</b>	<b>(3,381)</b>	<b>3,302</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(27,121)</b>	<b>(206)</b>	<b>(3,381)</b>	<b>30,708</b>

**NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)**

2020/21	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>				
<b>Adjustments to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	(18,228)	0	0	18,228
Financial instruments (transferred to the Financial Instruments Adjustments Account)	85	0	0	(85)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	224	0	0	(224)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(80)	0	0	80
<b>Total Adjustments to Revenue Resources</b>	<b>(17,999)</b>	<b>0</b>	<b>0</b>	<b>17,999</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16)	(205)	0	221
Revenue provision for the financing of supported capital investment	5,426	0	0	(5,426)
Revenue provision for the financing of unsupported capital investment	2,173	0	0	(2,173)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,232	0	0	(1,232)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>8,815</b>	<b>(205)</b>	<b>0</b>	<b>(8,610)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	43	0	(43)
Application of capital grants to finance capital expenditure	0	0	(1,261)	1,261
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>43</b>	<b>(1,261)</b>	<b>1,218</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(9,184)</b>	<b>(162)</b>	<b>(1,261)</b>	<b>10,607</b>



## NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES

### School Balances

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year, and is a net increase of £5.9m as compared to the balance on 31 March 2021:

2021/22	Balance	Transfers		Balance	
	31 March 2021 £'000	between reserves £'000	in £'000	out £'000	31 March 2022 £'000
School Balances	10,753	(2)	6,132	(188)	16,695
<b>Total</b>	<b>10,753</b>	<b>(2)</b>	<b>6,132</b>	<b>(188)</b>	<b>16,695</b>

## NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)

### Earmarked Reserves

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22, with a net increase of £26.6m since the position at 31 March 2021.

Note	2021/22	Balance		Transfers		Balance
		31 March 2021	between reserves	in	out	31 March 2022
		£'000	£'000	£'000	£'000	£'000
10.1	Renewals Reserves	10,703	(4,865)	2,971	(413)	8,396
10.2	Schools Digital Strategy Renewal Reserve	0	0	2000	0	2,000
10.3	Capital Reserves	15,632	5,919	3,183	(71)	24,663
10.4	Insurance Reserves	2,498	0	776	(1,329)	1,945
10.5	Services Fund	4,589	(192)	1,294	(658)	5,033
10.6	Convergence Programme Fund	1,010	4	0	0	1,014
10.7	Redundancy Costs to Realise Savings Reserve	3,114	0	0	0	3,114
10.8	Central Training	1,468	188	0	(233)	1,423
10.9	Education Services Reserves	1,690	16	1,494	(28)	3,172
10.10	Economy and Community Reserves	242	0	387	(32)	597
10.11	Highways and Municipal Reserves	1,592	(794)	143	(44)	897
10.12	Gwynedd Consultancy Reserves	185	0	0	0	185
10.13	Environment Reserves	1,665	0	125	(39)	1,751
10.14	Housing and Property Reserves	3,088	46	705	(227)	3,612
10.15	Care Reserves	1,225	0	802	(3)	2,024
10.16	Ffordd Gwynedd Fund	450	0	0	0	450
10.17	Invest to Save Fund - Carbon Reduction Plan	596	(32)	0	0	564
10.18	Transformation Fund / Council Plan	12,463	(625)	3,245	(12)	15,071
10.19	Committed Revenue Grants Fund	869	8	564	(185)	1,256
10.20	Housing Water and Sewerage Services Fund	242	0	0	(50)	192
10.21	Housing Environmental Warranty	480	0	0	0	480
10.22	Information Technology Reserve	555	(17)	217	(123)	632
10.23	Supporting the Financial Strategy Reserve	2,344	0	3,803	(282)	5,865
10.24	Welfare Fund	100	0	0	0	100
10.25	Partnering Arrangements	306	4	27	0	337
10.26	North Wales Economic Ambition Board Fund	92	0	189	(92)	189
10.27	Liabilities Related to the Pension Fund	1,028	0	0	(1,028)	0
10.28	Council Tax Property Transfers Reserve	490	0	0	0	490
10.29	Council Tax Premium Reserve	7,152	406	6,468	(356)	13,670
10.30	Covid-19 Recovery Arrangements Reserve	2,519	(42)	2,447	0	4,924
10.31	Various Other Reserves	1,007	(22)	1,032	(23)	1,994
	<b>Total</b>	<b>79,394</b>	<b>2</b>	<b>31,872</b>	<b>(5,228)</b>	<b>106,040</b>

The earmarked reserves closing balance as at 31 March 2022 does not reflect the level of commitments against them. Details are given below of the Council's main specific reserves.

## **NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)**

- 10.1 The Renewals Reserves are used by the various departments of the Council to replace vehicles and equipment.
- 10.2 School's Digital Strategy Renewal Reserve in order to finance the renewal of the school's IT equipment.
- 10.3 The Capital Reserves represents resources already committed to assist in financing the Council's Capital Programme and other requirements.
- 10.4 Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre-1996) and which is administered by Gwynedd Council.
- 10.5 The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- 10.6 Convergence Programme Fund – fund was created for additional capital or revenue costs which arise from the requirements to develop plans under the convergence programme.
- 10.7 Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- 10.8 Central Training – relates to the Council's staff training programme, including a contribution towards the cost of funding the Apprenticeship scheme and the 'Cynllun Yfory' Management Scheme.
- 10.9 Education Service Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.
- 10.10 The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- 10.11 The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven income and expenditure (equalisation accounts) together with likely requirements from contracts.
- 10.12 Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure on some work fields and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.
- 10.13 Environment Reserves – include a number of balances relating to Transport, schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan, and amounts for uneven expenditure situation.
- 10.14 Housing and Property Reserves – includes amounts set aside to protect against possible situations of uneven expenditure together with various other reserves for the Council's housing and property needs.
- 10.15 Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- 10.16 Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist the Council to achieve "Ffordd Gwynedd" aims and objectives.
- 10.17 Invest to Save Fund – Carbon Reduction Plan – partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings for the Council.

## **NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)**

- 10.18 Transformation / Council Plan – for the Council’s priorities and to transform internal procedures to be more effective and efficient, and to invest in various schemes to realise permanent financial savings.
- 10.19 Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- 10.20 Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old council housing estates, which were not adopted by Welsh Water.
- 10.21 Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Adra, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.
- 10.22 Information Technology Reserve – for responding to the demands in the information technology field, including a renewals fund and to respond to uneven patterns of expenditure.
- 10.23 Supporting the Financial Strategy Reserve – a fund established to assist and support the Council’s financial strategy.
- 10.24 Welfare Fund - provision to respond to uneven patterns in the related requirements.
- 10.25 Partnering Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.
- 10.26 North Wales Economic Ambition Board – for the requirements and commitments of the economic promotion plan relevant to the North Wales Economic Ambition Board (Gwynedd Council’s share only).
- 10.27 Liabilities Related to the Pension Fund – for various future requirements and commitments related to the Pension Fund.
- 10.28 Council Tax Property Transfer Reserve – provision relating to the implications of properties transferring from Council Tax to National Domestic Rates.
- 10.29 Council Tax Premium Reserve – provision from the Council Tax Premium for achieving the Council’s priorities which includes the Housing Strategy.
- 10.30 Covid-19 Recovery Arrangements Reserve - provision for the recovery of services following the pandemic.
- 10.31 Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

## NOTE 11 – OTHER OPERATING EXPENDITURE

2020/21 £'000		2021/22 £'000
	<b>Precepts</b>	
15,088	North Wales Police & Crime Commissioner	15,854
2,504	Community Councils	2,547
17,592		18,401
	<b>Levies</b>	
6,364	North Wales Fire Authority	6,597
962	Snowdonia National Park Authority	1,058
119	Local Drainage Boards	119
7,445		7,774
(152)	(Gains)/losses on the disposal and de-recognition of non-current assets	503
<b>24,885</b>	<b>Total</b>	<b>26,678</b>

## NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £'000		2021/22 £'000
5,961	Interest payable and similar charges	5,765
5,771	Net interest on the net pension defined benefit liability (asset)	7,632
(422)	Interest receivable and similar income	(556)
532	Adjustments to provisions and the fair value of financial instruments	282
<b>11,842</b>	<b>Total</b>	<b>13,123</b>

## NOTE 13 – TAXATION AND NON-SPECIFIC GRANT INCOME

2020/21 £'000		Note	2021/22 £'000
(92,351)	Council Tax Income	13a	(100,516)
(39,526)	Non-Domestic Rates	13b	(41,974)
(148,053)	Non-ring-fenced Government Grants	32	(155,298)
(1,211)	Revenue Grants and Contributions	32	(916)
(21,577)	Capital Grants and Contributions	32	(32,983)
<b>(302,718)</b>	<b>Total</b>		<b>(331,687)</b>

## NOTE 13a - COUNCIL TAX

The Council determines its expenditure requirement for the year and converts it to a Band D Council Tax by dividing this sum by a calculation of the number of properties in each Council Tax band converted into the equivalent number of properties in Band D (The Council Tax Base). The North Wales Police and Crime Commissioner's requirement is then added to this amount to establish the County's Council Tax.

The Council Tax Base for 2021/22 was calculated as follows:

<b>CALCULATION OF THE COUNCIL TAX BASE FOR 2021/22</b>			
<b>Valuation Bands</b>	<b>Number of Properties following discounts</b>	<b>Statutory Multiplier</b>	<b>Equivalent Band D properties</b>
A*	7	5/9	3.75
A	7,547	6/9	5,031.12
B	13,597	7/9	10,575.10
C	11,044	8/9	9,816.55
D	9,526	1	9,525.53
E	7,650	11/9	9,349.50
F	3,822	13/9	5,519.94
G	1,213	15/9	2,021.25
H	205	18/9	410.00
I	67	21/9	156.92
		<b>Total</b>	<b>52,409.66</b>
		<b>Council Tax base after allowing for losses on collection</b>	<b>51,885.56</b>

An analysis of the net income accruing to the Council is given below:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(93,434)	Council Tax raised	(101,672)
1,083	<b>Less</b> Increase in the impairment allowance for non-collection	1,156
<b>(92,351)</b>		<b>(100,516)</b>

## NOTE 13b - NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates (“Business Rates”) are managed by the Government but local authorities are responsible for their collection and for paying them to a central pool run by the Welsh Government. They subsequently allocate amounts from the pool to local authorities, on a population basis.

The Government sets the National Non-Domestic rate for the year (53.5p in 2021/22) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

At the end of the 2021/22 financial year there were 9,480 properties on the local valuation list in Gwynedd, representing a rateable value of £114,364,942.

An analysis of the net income accruing to the Council from National Non-Domestic Rates is as follows:

2020/21		2021/22
£'000		£'000
(43,167)	National Non-domestic Rate raised	(41,433)
438	Cost of Collection allowance	455
553	Provision for Bad Debts	956
42,176	Sum paid to the National Pool	40,022
0		0
(39,526)	Receipts from the National Pool	(41,974)
<b>(39,526)</b>	<b>Net Income from Non-Domestic Rates</b>	<b>(41,974)</b>

## NOTE 14 – BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

This account shows the expenditure and income which relate to the building regulations checking and supervision function, including consideration of any enforcement action but not the service of notices under the provisions of the Building Act 1984.

The account is expected to break-even over a three-year rolling period, and this requirement is reviewed annually. There was a loss in 2021/22, despite receiving Covid 19 loss of income Grant of £51k, therefore an accumulated loss over a period of three years is reported.

2021/22	£'000
Total charges income received (excluding VAT)	(400)
Total charges expenditure incurred	468
(Surplus)/Deficit for 2021/22	68
(Surplus)/Deficit for 2020/21	10
(Surplus)/Deficit for 2019/20	22
<b>(Surplus)/Deficit for the last three years</b>	<b>100</b>

## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

### Movements on Property, Plant and Equipment Balances

Movements in 2021/22:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Value</b>							
Balance at 1.04.21	333,364	223,832	53,198	687	2,218	19	613,318
Additions	10,651	12,144	7,676	0	28	0	30,499
Sales	(3,220)	0	(1,392)	0	0	0	(4,612)
Transfers	0	0	0	0	74	0	74
Revaluation - to Revaluation Reserve	6,308	0	0	0	111	0	6,419
Revaluation - to Services	429	0	0	0	(171)	0	258
<b>Balance at 31.03.22</b>	<b>347,532</b>	<b>235,976</b>	<b>59,482</b>	<b>687</b>	<b>2,260</b>	<b>19</b>	<b>645,956</b>
<b>Depreciation</b>							
Balance at 1.04.21	3,932	61,332	33,496	6	14	0	98,780
Depreciation in year	6,677	5,971	4,707	2	15	0	17,372
Sales	(92)	0	(1,276)	0	0	0	(1,368)
Transfers	0	0	0	0	0	0	0
Revaluation	(6,817)	0	0	0	(30)	0	(6,847)
<b>Balance at 31.03.22</b>	<b>3,700</b>	<b>67,303</b>	<b>36,927</b>	<b>8</b>	<b>(1)</b>	<b>0</b>	<b>107,937</b>
<b>Impairment</b>							
Balance at 1.04.21	18,315	63	68	97	21	0	18,564
Impairment in year - to Revaluation Reserve	1,953	0	0	0	0	0	1,953
Impairment in year - to Services	3,761	0	0	0	0	0	3,761
Sales	(2,435)	0	0	0	0	0	(2,435)
Transfers	0	0	0	0	1	0	1
Revaluation	(4,181)	0	0	0	(17)	0	(4,198)
<b>Balance at 31.03.22</b>	<b>17,413</b>	<b>63</b>	<b>68</b>	<b>97</b>	<b>5</b>	<b>0</b>	<b>17,646</b>
<b>Net Book Value</b>							
<b>31 March 2022</b>	<b>326,419</b>	<b>168,610</b>	<b>22,487</b>	<b>582</b>	<b>2,256</b>	<b>19</b>	<b>520,373</b>
<b>Net Book Value</b>							
<b>31 March 2021</b>	<b>311,117</b>	<b>162,437</b>	<b>19,634</b>	<b>584</b>	<b>2,183</b>	<b>19</b>	<b>495,974</b>



## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2020/21:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
<b>Value</b>							
Balance at 1.04.20	307,919	215,543	49,305	687	1,989	3,927	579,370
Additions	11,375	8,289	5,281	0	9	0	24,954
Sales	(63)	0	(1,388)	0	0	0	(1,451)
Transfers	3,436	0	0	0	472	(3,908)	0
Revaluation - to Revaluation Reserve	12,543	0	0	0	(136)	0	12,407
Revaluation - to Services	(1,846)	0	0	0	(116)	0	(1,962)
<b>Balance at 31.03.21</b>	<b>333,364</b>	<b>223,832</b>	<b>53,198</b>	<b>687</b>	<b>2,218</b>	<b>19</b>	<b>613,318</b>
<b>Depreciation</b>							
Balance at 1.04.20	6,975	55,568	30,246	4	3	0	92,796
Depreciation in year	6,054	5,764	4,568	2	23	0	16,411
Sales	0	0	(1,318)	0	0	0	(1,318)
Transfers	(35)	0	0	0	35	0	0
Revaluation	(9,062)	0	0	0	(47)	0	(9,109)
<b>Balance at 31.03.21</b>	<b>3,932</b>	<b>61,332</b>	<b>33,496</b>	<b>6</b>	<b>14</b>	<b>0</b>	<b>98,780</b>
<b>Impairment</b>							
Balance at 1.04.20	23,351	63	68	97	26	0	23,605
Impairment in year - to Revaluation Reserve	4,005	0	0	0	4	0	4,009
Impairment in year - to Services	1,983	0	0	0	5	0	1,988
Sales	(63)	0	0	0	0	0	(63)
Transfers	(22)	0	0	0	22	0	0
Revaluation	(10,939)	0	0	0	(36)	0	(10,975)
<b>Balance at 31.03.21</b>	<b>18,315</b>	<b>63</b>	<b>68</b>	<b>97</b>	<b>21</b>	<b>0</b>	<b>18,564</b>
<b>Net Book Value</b>	<b>311,117</b>	<b>162,437</b>	<b>19,634</b>	<b>584</b>	<b>2,183</b>	<b>19</b>	<b>495,974</b>
<b>31 March 2021</b>							
<b>Net Book Value</b>	<b>277,593</b>	<b>159,912</b>	<b>18,991</b>	<b>586</b>	<b>1,960</b>	<b>3,927</b>	<b>462,969</b>
<b>31 March 2020</b>							

## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Council's operational Land and Buildings were revalued by the Council's Senior Estates Surveyor (M.R.I.C.S) in accordance with the policies noted in section 1.17 of Note 1 of the Accounting Policies and non-operational assets (Surplus) in accordance with 1.15. Note that the Authority has established a rolling programme for revaluing different categories of these assets annually.

Refer to note 1.17 also for the basis of depreciation on various categories of assets.

11 schools under church governance are used by the Education Department, with 10 of the buildings not included in the table above because they are not owned by the Council. The Council is responsible for their repair and maintenance, but the amounts are not significant. Ysgol Cae Top in Bangor is currently regarded as a Council-owned asset in our accounts, and not a church school. The legal status of this asset is subject to a legal review which may affect its treatment in future accounts.

The sources of finance for the assets acquired during the year are shown with the information on capital expenditure in the narrative report.

### Capital Commitments

Significant commitments under capital contracts at 31 March 2022 were as follows:

	<b>Sum</b>	<b>Payments</b>	<b>Balance</b>
	<b>£'000</b>	<b>to date</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Ysgol Y Garnedd - extension and refurbishment	8,104	7,877	227
All Weather Pitch- Plas Silyn	579	269	310
Ysgol y Faenol – Adaptations	3,542	3,143	399
Noddfa Hostel, Deiniolen	716	477	239
Childcare - Ysgol Maesincla, Caernarfon	312	14	298
Rhianfa Hostel, Corris	716	24	692

## NOTE 16 – INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2020/21	2021/22
	£'000	£'000
Rental income from investment property	7	7
Net gain/(loss)	7	7

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property nor for its repair, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2020/21	2021/22
	£'000	£'000
<b>Balance 1 April</b>	<b>165</b>	<b>165</b>
Disposals	0	0
Net gains/(losses) from fair value adjustments	0	0
<u>Transfers:</u>		
(to)/from Property, Plant and Equipment	0	0
<b>Balance 31 March</b>	<b>165</b>	<b>165</b>

## **NOTE 17a – FINANCIAL INSTRUMENTS**

### **(i) Financial Instruments - Classifications**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- Service Concession Arrangements (Private Finance Initiative (PFI)) contracts detailed in Note 41
- overdraft with Barclays Bank plc
- short-term loans from other local authorities and housing associations
- finance leases detailed in Note 35
- trade payables for goods and services received

#### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash
- bank and deposit accounts
- fixed term deposits with UK Government, banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- pooled bond, equity and property funds held as strategic investments

Fair value through profit and loss (all other financial assets) comprising:

- money market funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

## NOTE 17a – FINANCIAL INSTRUMENTS (continued)

### (ii) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long-Term		Short-Term	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
<i>Loans at amortised cost:</i>				
Principal sum borrowed	103,110	101,807	6,579	1,573
Accrued interest	0	0	511	482
<b>Total Borrowing</b>	<b>103,110</b>	<b>101,807</b>	<b>7,090</b>	<b>2,055</b>
<i>Loans at amortised cost:</i>				
Bank overdraft	0	0	18,221	35,878
<b>Total Cash Overdrawn</b>	<b>0</b>	<b>0</b>	<b>18,221</b>	<b>35,878</b>
<i>Liabilities at amortised cost:</i>				
Finance leases	1,370	1,189	0	0
<b>Total Other Long-Term Liabilities</b>	<b>1,370</b>	<b>1,189</b>	<b>0</b>	<b>0</b>
<i>Liabilities at amortised cost:</i>				
Trade payables	0	0	41,492	29,333
Finance leases	0	0	170	181
<b>Included in Creditors *</b>	<b>0</b>	<b>0</b>	<b>41,662</b>	<b>29,514</b>
<b>Total Financial Liabilities</b>	<b>104,480</b>	<b>102,996</b>	<b>66,973</b>	<b>67,447</b>

\* The short-term creditors line on the Balance Sheet includes £51,366,000 (2021: £38,356,000) creditors (Note 21) that do not meet the definition of a financial liability.

## NOTE 17a – FINANCIAL INSTRUMENTS (continued)

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long-Term		Short-Term	
	31 March	31 March	31 March	31 March
	2021	2022	2021	2022
	£'000	£'000	£'000	£'000
<i>At amortised cost:</i>				
Principal	17	17	26,000	70,000
Accrued interest	0	0	5	17
Loss allowance	0	0	(3)	(3)
<i>At fair value through other comprehensive income:</i>				
Equity investments elected FVOCI	0	0	8,916	9,845
<b>Total Investments</b>	<b>17</b>	<b>17</b>	<b>34,918</b>	<b>79,859</b>
<i>At amortised cost:</i>				
Principal	0	0	2,619	1,066
Accrued interest	0	0	0	2
Loss allowance	0	0	(1)	0
<i>At fair value through profit and loss:</i>				
Fair value	0	0	26,000	17,000
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>28,618</b>	<b>18,068</b>
<i>At amortised cost:</i>				
Trade receivables	4,371	3,989	14,599	22,413
<b>Included in Debtors*</b>	<b>4,371</b>	<b>3,989</b>	<b>14,599</b>	<b>22,413</b>
<b>Total Financial Assets</b>	<b>4,388</b>	<b>4,006</b>	<b>78,135</b>	<b>120,340</b>

\* The short-term debtors line on the Balance Sheet includes £84,632,000 (2021: £69,633,000) debtors (Note 18) that do not meet the definition of a financial asset.

### Material Soft Loans

Local Authorities are allowed to make loans for policy reasons rather than as financial instruments and these loans may be interest-free or at rates below prevailing market rates. Where loans are advanced at below market rates, they are classed as “Soft Loans”.

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Statement. The 2021/22 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2021/22 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.22 £1,977,070)
- Car and Bike Loans to employees (amount outstanding at 31.03.22 £866,090)

## NOTE 17a – FINANCIAL INSTRUMENTS (continued)

### Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performances.

	Fair Value		Dividends	
	31 March	31 March	2020/21	2021/22
	2021	2022	2020/21	2021/22
	£'000	£'000	£'000	£'000
CCLA LAMIT Property Fund	4,407	5,180	196	167
Ninety One Diversified Income Fund	1,242	1,182	47	49
Schroder Income Maximiser Fund	2,008	2,226	124	143
Aegon Diversified Monthly Income Fund	1,259	1,257	53	64
<b>TOTAL</b>	<b>8,916</b>	<b>9,845</b>	<b>420</b>	<b>423</b>

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The table below shows those instruments that have been offset on the Balance Sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	31 March 2021			31 March 2022		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet
	£'000	£'000	£'000	£'000	£'000	£'000
Bank accounts in credit	32,245	(32,245)	0	58,158	(58,158)	0
<b>Total Financial Assets</b>	<b>32,245</b>	<b>(32,245)</b>	<b>0</b>	<b>58,158</b>	<b>(58,158)</b>	<b>0</b>
Bank overdraft	(50,466)	32,245	(18,221)	(94,036)	58,158	(35,878)
<b>Total Financial Liabilities</b>	<b>(50,466)</b>	<b>32,245</b>	<b>(18,221)</b>	<b>(94,036)</b>	<b>58,158</b>	<b>(35,878)</b>

## NOTE 17a – FINANCIAL INSTRUMENTS (continued)

### (iii) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2021/22	2020/21
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000	Total £'000	Total £'000
Interest expense	5,765	0	0	0	5,765	5,961
<b>Interest payable and similar charges</b>	<b>5,765</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,765</b>	<b>5,961</b>
Interest income	0	(122)	0	0	(122)	(92)
Dividend income	0	0	(423)	(11)	(434)	(330)
<b>Interest and investment income</b>	<b>0</b>	<b>(122)</b>	<b>(423)</b>	<b>(11)</b>	<b>(556)</b>	<b>(422)</b>
Loss allowance	0	282	0	0	282	532
<b>Adjustments to provisions and the fair value of financial instruments</b>	<b>0</b>	<b>282</b>	<b>0</b>	<b>0</b>	<b>282</b>	<b>532</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>5,765</b>	<b>160</b>	<b>(423)</b>	<b>(11)</b>	<b>5,491</b>	<b>6,071</b>
Gains on revaluation	0	0	(992)	0	(992)	(687)
Losses on revaluation	0	0	62	0	62	32
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(930)</b>	<b>0</b>	<b>(930)</b>	<b>(655)</b>
<b>Net (gain)/loss for the year</b>	<b>5,765</b>	<b>160</b>	<b>(1,353)</b>	<b>(11)</b>	<b>4,561</b>	<b>5,416</b>



## **NOTE 17a – FINANCIAL INSTRUMENTS (continued)**

### **(iv) Financial Instruments - Fair Values**

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arm's-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

**NOTE 17a – FINANCIAL INSTRUMENTS (continued)**

	<b>Fair</b>	<b>Balance</b>	<b>Fair Value</b>	<b>Balance</b>	<b>Fair Value</b>
	<b>Value</b>	<b>Sheet</b>	<b>31 March</b>	<b>Sheet</b>	<b>31 March</b>
	<b>Level</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Financial liabilities held at amortised cost:</i>					
Loans from PWLB	2	(87,311)	(139,255)	(85,975)	(137,276)
Other loans	2	(17,883)	(29,980)	(17,887)	(25,255)
Lease payables	2	(1,540)	(1,895)	(1,370)	(1,559)
<b>TOTAL</b>		<b>(106,734)</b>	<b>(171,130)</b>	<b>(105,232)</b>	<b>(164,090)</b>
Liabilities for which fair value is not disclosed *		(64,719)		(65,211)	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(171,453)</b>		<b>(170,443)</b>	
<i>Recorded on Balance Sheet as:</i>					
Short-term creditors		(41,492)		(29,333)	
Short-term borrowing		(7,090)		(2,055)	
Short-term cash overdrawn		(18,221)		(35,878)	
Short-term finance lease liability		(170)		(181)	
Long-term borrowing		(103,110)		(101,807)	
Long-term finance lease liability		(1,370)		(1,189)	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(171,453)</b>		<b>(170,443)</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of long-term liabilities is higher than its Balance Sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

**NOTE 17a – FINANCIAL INSTRUMENTS (continued)**

	Fair Value Level	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	I	26,000	26,000	17,000	17,000
Bond, equity and property funds	I	8,916	8,916	9,845	9,845
<i>Financial assets held at amortised cost:</i>					
Treasury Stock	I	17	17	17	17
<b>TOTAL</b>		<b>34,933</b>	<b>34,933</b>	<b>26,862</b>	<b>26,862</b>
Assets for which fair values are not disclosed *		47,590		97,484	
<b>TOTAL FINANCIAL ASSETS</b>		<b>82,523</b>		<b>124,346</b>	
<i>Recorded on Balance Sheet as:</i>					
Long-term debtors		4,371		3,989	
Long-term investments		17		17	
Short-term debtors		14,599		22,413	
Short-term investments		34,918		79,859	
Cash and cash equivalents		28,618		18,068	
<b>TOTAL FINANCIAL ASSETS</b>		<b>82,523</b>		<b>124,346</b>	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

## **NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices, is based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk*: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

### **Credit Risk: Investments**

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK Government, and other local authorities without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

During 2021/22 a limit of £5m of the total portfolio was placed on the amount that can be invested with a single counterparty (other than UK government). For local authorities, secured investments, money market funds, strategic pooled funds and real estate investment trusts, a limit of £10m per counterparty was applied. No more than £20m in total can be invested for a period longer than one year.

The Council does not hold collateral security against any investments.

## NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The table below summarises the credit risk exposures of the Council’s investment portfolio by credit rating:

Credit Rating	Short-Term	
	31 March	31 March
	2021	2022
	£'000	£'000
AAA	0	0
AA+	0	0
AA	0	0
AA-	0	5,002
A+	3,001	0
A	3,000	17,001
A-	0	0
UK Government	0	18,000
Unrated building societies	0	0
Unrated local authorities	20,001	30,011
<b>Total</b>	<b>26,002</b>	<b>70,014</b>
Pooled funds*	8,916	9,845
<b>Total Investments</b>	<b>34,918</b>	<b>79,859</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments and cash and cash equivalents have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% (2021: 131%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31 March 2022, £3,670 (2021: £3,901) of loss allowances related to treasury investments.

### Credit Risk: Trade Receivables

The age profile of the trade balance in our debtor system at 31 March can be analysed as follows:-

31 March		31 March	
2021		2022	
£'000		£'000	
6,001	Less than a year	8,294	
2,471	Over a year	2,679	
<b>8,472</b>		<b>10,973</b>	

Historical experience of default and current and forecast economic conditions are considered in calculating our impairment loss allowance.

## NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### Credit Risk: Loans, Financial Guarantees and Loan Commitments

The Council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy.

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is, however, exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of the financial liabilities is as follows, as shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payment figures):

	<b>Discounted (principal)</b>	<b>Undiscounted (principal plus interest)</b>	<b>Discounted (principal)</b>	<b>Undiscounted (principal plus interest)</b>
<b>Time to maturity (years)</b>	<b>31 March 2021</b>	<b>31 March 2021</b>	<b>31 March 2022</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than 1 year	6,579	12,278	1,587	7,166
Over 1 but not over 2	1,573	7,154	1,143	6,611
Over 2 but not over 5	11,899	27,635	15,379	30,454
Over 5 but not over 10	7,056	29,831	2,706	25,079
Over 10 but not over 20	36,821	70,967	39,013	71,399
Over 20 but not over 40	29,561	74,338	27,352	70,143
Over 40	16,200	28,163	16,200	27,480
<b>Total</b>	<b>109,689</b>	<b>250,366</b>	<b>103,380</b>	<b>238,332</b>

### Market Risk: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

## NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of the 12 month-revenue impact of a 1% fall and rise in interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
Increase in interest receivable on variable rate investments	(461)	(390)
Decrease in fair value of investments held at FVPL	37	20
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(424)</b>	<b>(370)</b>
Decrease in fair value of investments held at FVOCI	34	39
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>34</b>	<b>39</b>
Decrease in fair value of loans and investments at amortised cost *	35	78
Decrease in fair value of fixed rate borrowing *	(24,032)	(34,828)

\*No impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure

### Market Risk: Price Risk

The market prices of the Council's fixed rate bond investments and its units in collective investment schemes are governed by prevailing interest rates, and the market risk associated with these instruments is managed alongside interest rate risk as described above.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to pooled investments of £20m. A 5% fall in commercial property prices at 31 March 2022 would result in a £0.25m (2021: £0.22m) charge to Other Comprehensive Income and Expenditure.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to pooled investments of £20m. A 5% fall in share prices at 31 March 2022 would result in a £0.15m (2021: £0.13m) charge to Other Comprehensive Income and Expenditure.

### Market Risk: Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

## NOTE 18a – SHORT-TERM DEBTORS

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£'000</b>		<b>£'000</b>
13,251	Trade receivables	21,943
2,954	Prepayments	2,582
68,027	Other receivable amounts	82,520
<b>84,232</b>	<b>Total</b>	<b>107,045</b>

## NOTE 18b - COUNCIL TAX DEBTORS

The past due date but not impaired amount for Council Tax can be analysed by age as follows:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£'000</b>		<b>£'000</b>
2,971	Less than one year	2,645
850	More than one year	884
<b>3,821</b>	<b>Total</b>	<b>3,529</b>

The analysis above only shows those balances where assessment has indicated that, by exception, no impairment is required.

## NOTE 19 – CASH AND CASH EQUIVALENTS

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Cash in Hand	18	15
Bank Current Accounts	36	31
Call Accounts	28,564	18,022
<b>Cash and Cash Equivalents</b>	<b>28,618</b>	<b>18,068</b>
Bank Overdraft	(18,221)	(35,878)
<b>Total</b>	<b>10,397</b>	<b>(17,810)</b>

In order to maximise the returns from Short-term Investments and Cash Deposits, the Council invests any surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short-term Investments (Note 17) and the Call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the Balance Sheet date. As the Short-term Investments are made in the name of Gwynedd Council, they are shown in full on the Balance Sheet. The Pension Fund element of the Short-term Investments and Cash Deposits was £14.3m at 31 March 2022 (£12.5m at 31 March 2021).



## NOTE 20 – ASSETS HELD FOR SALE

	2020/21 £'000	2021/22 £'000
<b>Balance 1 April</b>	<b>73</b>	<b>73</b>
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	0	0
Expenditure in year	0	0
Revaluation Losses	0	0
Impairment Losses	0	1
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	0	(74)
Assets sold	0	0
<b>Balance 31 March</b>	<b>73</b>	<b>0</b>

## NOTE 21 – SHORT-TERM CREDITORS

	31 March 2021 £'000	31 March 2022 £'000
Trade payables	41,662	29,514
Other payables	38,356	51,366
<b>Total</b>	<b>80,018</b>	<b>80,880</b>

## NOTE 22 – PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not permitted, under accounting conventions, to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed in Note 10.

The details below are analysed into short-term provisions (within 12 months) and long-term provisions (over 12 months). However, the provision level on all related items is reviewed periodically.

	Balance at 31 March 2021 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2022 £'000
<b><u>Short-term Provisions</u></b>				
Waste Sites Provision	(315)	(317)	316	(316)
	<b>(315)</b>	<b>(317)</b>	<b>316</b>	<b>(316)</b>
<b><u>Long-term Provisions</u></b>				
Waste Sites Provision	(7,752)	308	0	(7,444)
Insurance Claims Provision	0	(662)	0	(662)
Salary Provision	0	(282)	0	(282)
	<b>(7,752)</b>	<b>(636)</b>	<b>0</b>	<b>(8,388)</b>
<b>Total</b>	<b>(8,067)</b>	<b>(953)</b>	<b>316</b>	<b>(8,704)</b>

**Waste Sites Provision** – relates to the capping and aftercare requirements of all of the Council's waste disposal sites.

**Insurance Claims Provision** – to meet potential insurance claims settlements.

**Salary Provision** – in accordance with the relevant requirements.

## NOTE 23 – UNUSABLE RESERVES

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£'000</b>		<b>£'000</b>
115,595	Revaluation Reserve	128,679
206,658	Capital Adjustment Account	222,580
(1,085)	Financial Instruments Revaluation Reserve	(155)
(551)	Financial Instruments Adjustment Account	(529)
(363,852)	Pensions Reserve	(242,165)
(4,244)	Accumulated Absences Account	(4,805)
<b>(47,479)</b>	<b>Total Unusable Reserves</b>	<b>103,605</b>

### 23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>88,843</b>	<b>Balance 1 April</b>	<b>115,595</b>
36,476	Upward revaluation of assets	19,398
(7,994)	Downward revaluation of assets and impairment losses	(3,887)
<b>28,482</b>	<b>Surplus/(deficit) on revaluation of assets</b>	<b>15,511</b>
(1,730)	Difference between fair value depreciation and historical cost depreciation	(2,181)
0	Accumulated gains on assets sold	(246)
<b>(1,730)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(2,427)</b>
<b>115,595</b>	<b>Balance 31 March</b>	<b>128,679</b>

### 23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

## NOTE 23 – UNUSABLE RESERVES (continued)

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21		2021/22
£'000		£'000
197,617	<b>Balance 1 April</b>	<b>206,658</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(20,361)	Charges for depreciation and impairment of non-current assets	(20,875)
(5,069)	Revenue Expenditure funded from Capital under Statute	(7,055)
(70)	Adjustment to non-current balance on the sale of assets	(563)
1,730	Transfer from Capital Revaluation Reserve	2,181
	<u>Capital financing applied in the year:</u>	
43	Capital Receipts	79
23,937	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,626
5,426	Revenue provision for the financing of supported capital investment	5,387
1,232	Capital expenditure charged in year against the General Fund	0
2,173	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	2,142
<b>206,658</b>	<b>Balance 31 March</b>	<b>222,580</b>

### 23.3 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2020/21		2021/22
£'000		£'000
(1,740)	<b>Balance 1 April</b>	<b>(1,085)</b>
655	Fair Value Adjustment	930
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
<b>(1,085)</b>	<b>Balance 31 March</b>	<b>(155)</b>

### 23.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require them to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not “substantially different” from those of the old debt. **Page 75**

## NOTE 23 – UNUSABLE RESERVES (continued)

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

The transactions reflected in the Financial Instruments Adjustment Account are as follows:

2020/21 £'000	2021/22 £'000
<b>(637) Balance 1 April</b>	<b>(551)</b>
Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	61
25 Deferred credit for receipt of charges due from people under care	(39)
<b>(551) Balance 31 March</b>	<b>(529)</b>

### 23.5 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 Gwynedd £000	2021/22		
	Gwynedd £000	NWEAB* £000	Total £000
<b>(244,644) Balance 1 April</b>	<b>(363,852)</b>	<b>(111)</b>	<b>(363,963)</b>
(100,979) Re-measurements of the net pension defined benefit (liabilities) / assets	165,438	25	<b>165,463</b>
(41,362) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(68,507)	(52)	<b>(68,559)</b>
23,133 Employer's pensions contributions and direct payments to pensioners payable in the year	24,874	20	<b>24,894</b>
<b>(363,852) Balance 31 March</b>	<b>(242,047)</b>	<b>(118)</b>	<b>(242,165)</b>

\*Gwynedd Council's 12.5% share of the NWEAB's pension reserve is included in the accounts.

## NOTE 23 – UNUSABLE RESERVES (continued)

### 23.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21		2021/22
£'000		£'000
(4,469)	<b>Balance 1 April</b>	(4,244)
225	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(561)*
<b>(4,244)</b>	<b>Balance 31 March</b>	<b>(4,805)</b>

\* £5k applies to Gwynedd's share of the NWEAB.

## NOTE 24a – CASH FLOW STATEMENT: ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2020/21		2021/22
£'000		£'000
(16,411)	Depreciation	(17,372)
(3,950)	Impairment and downward valuations	(3,503)
(32,132)	(Increase)/Decrease in Creditors	(5,637)
7,819	Increase/(Decrease) in Debtors	22,822
581	Increase/(Decrease) in Stock	344
(18,228)	Pension Liability	(43,664)
(70)	Carrying amount of non-current assets sold or de-recognised	(809)
(3,953)	Other non-cash items charged to net surplus/deficit on the provision of services	(8,265)
<b>(66,344)</b>		<b>(56,084)</b>

## NOTE 24b – CASH FLOW STATEMENT – ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2020/21		2021/22
£'000		£'000
222	Proceeds from sale of property, plant, equipment, investment property and intangible assets	307
<b>222</b>		<b>307</b>

## NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
(417)	Dividends and Interest received	(556)
5,990	Interest paid	5,794

## NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21		2021/22
£'000		£'000
23,861	Purchase of property, plant and equipment, investment property and intangible assets	31,055
580,534	Purchase of short-term and long-term investments	675,525
5,498	Other payments for investing activities	6,673
(205)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(285)
(557,534)	Proceeds from short-term and long-term investments	(631,525)
<b>52,154</b>	<b>Net cash flows from investing activities</b>	<b>81,443</b>

## NOTE 26a – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21		2021/22
£'000		£'000
160	Cash payments for the reduction of the outstanding liability relating to a finance lease	170
15,258	Repayments of short-term and long-term borrowing	6,338
<b>15,418</b>	<b>Net cash flows from financing activities</b>	<b>6,508</b>

## NOTE 26b – CASH FLOW STATEMENT – RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 March 2021	Financing cash flows	Non-cash changes	31 March 2022
	£'000	£'000	£'000	£'000
Long-term borrowings	(103,110)	1,303	0	(101,807)
Short-term borrowings	(7,090)	5,035	0	(2,055)
On balance sheet PFI liabilities	(1,540)	170	0	(1,370)
<b>Total liabilities from financing activities</b>	<b>(111,740)</b>	<b>6,508</b>	<b>0</b>	<b>(105,232)</b>

## NOTE 27 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

2020/21 £'000	<u>Expenditure / Income</u>	2021/22 £'000
	<b>Expenditure</b>	
188,147	Employee benefits expenses	238,357
197,632	Other Services expenses	199,995
678	Support Services recharges	479
25,457	Depreciation, amortisation, impairment	27,972
12,270	Interest Payments	13,679
25,037	Precepts and Levies	26,175
0	Loss on the disposal of assets	503
<b>449,221</b>	<b>Total Expenditure</b>	<b>507,160</b>
	<b>Income</b>	
(52,207)	Fees, charges and other service income	(67,401)
(428)	Interest and investment income	(556)
(133,088)	Income from council tax and non-domestic rates	(143,406)
(282,631)	Government grants and contributions	(299,764)
(152)	(Gain) on the disposal of assets	0
<b>(468,506)</b>	<b>Total Income</b>	<b>(511,127)</b>
<b>(19,285)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(3,967)</b>

## NOTE 28 – AGENCY SERVICES

Gwynedd Council acts as an agent for various schemes on behalf of the Welsh Government:

- Houses into Homes – closing balance £300k (£300k in 2020/21).
- Houses into Homes2 – closing balance £465k (£465k in 2020/21).
- Home Improvement Loans – closing balance £315k (£315k in 2020/21).
- Supporting Town Centre Regeneration in Caernarfon – closing balance £310k (£227k in 2020/21).
- Caernarfon and Bangor Town Centre Scheme – closing balance £638k (£789k in 2020/21).
- Bangor and Bethesda Town Centre Scheme – closing balance £494k (£488k in 2020/21).
- Transforming Towns Scheme – new scheme in 2021/22; closing balance £466k.
- Gwynedd Town Regeneration Fund – closing balance £483k (£500k in 2020/21).

The Council administers two main education grants on behalf of the Welsh Government. The work involves receiving and distributing the grant to the north Wales Authorities and GwE. The grant total received for 2021/22 were as follows:

- Regional Consortia School Improvement Grant - £42.3m (£33.4m in 2020/21)
- Pupil Development Grant - £22m (£20.1m in 2020/21)

The Council also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government. The principal area of work is managing and maintaining the trunk road network in the North and Mid Wales Councils' Partnership region that extends to 1,080 kilometres. The income transactions recovered during 2021/22 were £87.2m (£91.4m in 2020/21).

## NOTE 28 – AGENCY SERVICES (continued)

Due to the impact of the Covid-19 pandemic, there has been a number of grants and areas of financial support that local authorities have been asked to administer on the behalf of Welsh Government this year, therefore Gwynedd Council have acted as an agent on behalf of Welsh Government, including:

- Business Grants - £4.1m of payments made by the Council; (£5.8m) due to Welsh Government.
- National Non-Domestic Rates Relief Grant - £16m of payments made by the Council; (£3.3m) due to Welsh Government.
- Social care £750 bonus scheme - £3.5m of payments made by the Council; (£12k) due to Welsh Government.
- Freelancer cultural grants - £75k of payments made by the Council.
- Self-isolation payment - £1.9m of payments made by the Council; £327k due from Welsh Government.
- Statutory Sick Pay Enhancement - £192k of payments made by the Council.
- Flooding - £3k of payments made by the Council.
- Winter Fuel Payment - £1m of payments made by the Council; £51k due from Welsh Government.
- Cost of Living Payment £150 – nil payment made in 2021/22; £6m due from Welsh Government; (£6m) due to households in 2022/23.

## NOTE 29 – MEMBERS’ ALLOWANCES

The Authority paid the following allowances and expenses to members of the Council during the year:

2020/21		2021/22
£'000		£'000
1,332	Allowances	1,350
0	Expenses	2
<b>1,332</b>		<b>1,352</b>



## NOTE 30 – OFFICERS’ REMUNERATION

**30a.** The Accounts and Audit (Wales) Regulations 2014 (as amended) require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay, employer’s pension contributions and other employer costs are included below (including termination benefits), but the employer’s national insurance contributions are excluded.

2020/21			Chief Officers	2021/22		
Salary	Employer’s Pension Contributions	Total		Salary	Employer’s Pension Contributions	Total
£	£	£		£	£	£
118,063	24,085	142,148	Chief Executive <sup>1</sup>	33,389	0	33,389
-	-	-	Chief Executive <sup>2</sup>	101,113	20,627	121,740
98,954	20,187	119,141	Corporate Director	100,438	20,489	120,927
87,957	17,943	105,900	Head of Education	89,276	18,212	107,488
83,993	17,135	101,128	Head of Finance <sup>3</sup>	71,015	13,472	84,487
-	-	-	Head of Finance <sup>4</sup>	20,004	4,081	24,085
78,981	16,112	95,093	Head of Highways and Municipal	79,606	16,240	95,846
82,966	15,944	98,910	Head of Adults, Health and Wellbeing	82,379	16,183	98,562
78,156	15,944	94,100	Head of Economy and Community	79,328	16,183	95,511
78,156	14,979	93,135	Head of Children and Family Support	79,328	15,227	94,555
78,156	15,944	94,100	Head of Environment	79,328	16,183	95,511
78,156	15,944	94,100	Head of Corporate Support	79,328	16,183	95,511
72,295	14,748	87,043	Head of Housing and Property <sup>5</sup>	6,187	1,262	7,449
-	-	-	Head of Housing and Property <sup>6</sup>	46,861	9,560	56,421
66,021	13,468	79,489	Head of Gwynedd Consultancy	67,011	13,670	80,681
62,553	12,761	75,314	Head Of Legal Service <sup>7</sup>	71,176	14,520	85,696

1. The figures do not include any remuneration for the Chief Executive in his role as Returning Officer . The amount paid in 2021/22 was £2,033, which is based on rates defined by the respective election bodies. Holder in role until 31 May 2021.
2. Holder in role since 10 May 2021.
3. Holder in role until 31 December 2021.
4. Holder in role since 1 January 2022.
5. Holder in role until 9 May 2021.
6. Holder in role since 2 August 2021.
7. The figures do not include any remuneration for the Head Of Legal Service in his role as Returning Officer. The amount paid in 2021/22 was £5,366, which is based on rates defined by the respective election bodies.

## NOTE 30 – OFFICERS’ REMUNERATION (continued)

**30b.** The Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Council to include a ratio of remuneration. The ratio of the Chief Executive’s remuneration to the median remuneration of all the Authority’s employees for 2021/22 is 5.83:1 (6.11:1 in 2020/21).

**30c.** Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions) were paid the following amounts but which include termination benefits paid in two cases in 2021/22 and two cases in 2020/21. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000 and includes remuneration and termination benefits:						
Number in 2020/21				Number in 2021/22		
Schools	Other	Total		Schools	Other	Total
21	10	31	£60,000 - 64,999	29	9	38
12	0	12	£65,000 - 69,999	15	2	17
1	0	1	£70,000 - 74,999	6	3	9
4	0	4	£75,000 - 79,999	2	1	3
3	0	3	£80,000 - 84,999	4	0	4
1	0	1	£85,000 - 89,999	0	0	0
0	0	0	£90,000 - 94,999	1	0	1
0	0	0	£95,000 - 99,999	0	0	0
1	0	1	£100,000 - 104,999	0	0	0
0	0	0	£105,000 - 109,999	0	0	0
0	0	0	£110,000 - 114,999	3	0	3

## NOTE 31 – EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit:

2020/21		2021/22
£'000		£'000
182	Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services	189
99	Fees payable to auditors appointed by the Auditor General for Wales in respect of statutory inspections	99
38	Fees payable to auditors appointed by the Auditor General for Wales for the certification of grant claims and returns for the year	47
<b>319</b>		<b>335</b>
(2)	<b>Less:</b> Fees payable to auditors appointed by the Auditor General for Wales in respect of Joint Committees and Harbour Accounts	(2)
(10)	Previous years’ adjustment for audit fees	2
<b>307</b>	<b>Gwynedd Council Net Fees</b>	<b>335</b>

## NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	Note	2020/21 £'000	2021/22 £'000
<b>Credited to Taxation and Non-specific Grant Income</b>			
Revenue Support Grant (Non-ring-fenced Government Grants)	13	148,053	155,298
Government Revenue Grants and Contributions - Other	13	1,211	916
Government Capital Grants and Contributions -			
21st Century Schools		4,565	4,455
General Capital Grant		4,063	7,300
Local Transport Fund		2,014	8,256
Assets from Welsh Government - HwB IT Equipment for Schools		1,527	491
Public Highways Refurbishment Grant		1,323	1,320
Flood Coastal Erosion Risk Management Grant		1,535	70
Land and Buildings Development Fund Grant		0	3,100
Other *		5,409	6,527
	13	20,436	31,519
Other Capital Grants and Contributions	13	1,141	1,464
<b>Total</b>		<b>170,841</b>	<b>189,197</b>
<b>Grants and Contributions Credited to Services</b>			
Welsh Government -			
Covid-19 Hardship Fund		24,703	16,088
Local Authority Education Grants		520	8,515
Improvement and Deprivation Grants (Education)		7,365	8,493
Childcare Offer Grant		6,179	6,754
Housing Support Grant		5,420	5,926
Capital Grants		2,746	4,406
Post 16 Grant (Education)		3,598	4,210
Children and Communities Grant		3,567	4,207
Social Care Workforce and Sustainability Pressures Grant		1,562	3,864
Social Care Recovery Fund Grant		0	2,380
Sustainable Waste Management Grant		1,398	1,516
Concessionary Fares Grant		1,403	1,434
Other *		9,144	8,421
		67,605	76,214
Other Government Grants and Contributions -			
Department for Work and Pensions		25,451	23,453
Other		21,086	21,418
		46,537	44,871
Other Grants and Contributions		3,773	5,727
<b>Total</b>		<b>117,915</b>	<b>126,812</b>

\* 2020/21 figures have been restated in the "Other" headings to ensure comparison with 2021/22.

## NOTE 32 – GRANT INCOME (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
<b>Grants Received in Advance</b>		
<b><u>Long-term</u></b>		
<b>Capital Grants and Contributions</b>		
Highways and Municipal Capital Contributions	935	790
Environment (Planning, Transport and Public Protection) Grants	689	775
North Wales Growth Deal	0	888
	1,624	2,453
<b>Total Long-term</b>	<b>1,624</b>	<b>2,453</b>
<b><u>Short-term</u></b>		
<b>Revenue Grants and Contributions</b>		
Economy and Community Grants	830	2,530
Environment (Planning, Transport and Public Protection) Grants	72	37
Adults, Health and Well-being Grants*	469	930
Housing Grants*	297	244
Education Grants	1,296	1,147
Finance Grants	304	151
Consultancy Grants	453	276
Children and Supporting Families Grants	0	11
	3,721	5,326
<b>Capital Grants and Contributions</b>		
North Wales Growth Deal	2,000	3,625
Other	864	1,589
	2,864	5,214
<b>Total Short-term</b>	<b>6,585</b>	<b>10,540</b>
<b>Total</b>	<b>8,209</b>	<b>12,993</b>

\* 2020/21 figures have been restated from the Adults, Health and Well-being Grants heading to Housing Grants to ensure comparison with 2020/21.

## NOTE 33 – RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. To conform to the requirements, this is done by Members and Senior Officers completing a personal declaration, as defined in the CIPFA Code of Practice.

### Welsh and Central Government

Welsh Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework; it provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from the Welsh Government and other Government departments are set out in the subjective analysis in Note 27 which analyses expenditure and income by nature. The position as at 31 March is detailed in Note 32.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 29.

The Council appoints members to some external charitable or voluntary bodies or the members have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments made to these bodies under this heading during 2021/22 and balances at 31 March 2022 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
20,949	1,677	(5,900)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Council. A breakdown of the payments made to these companies under this heading during 2021/22 and balances at 31 March 2022 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
4,113	113	(258)

### Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Council. A breakdown of the payments made to these bodies under this heading during 2021/22 and balances at 31 March 2022 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
18,067	323	(360)

### Other Public Bodies

The Council is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 38.

The Authority has a pooled budget arrangement with all local authorities in North Wales and Betsi Cadwaladr University Health Board, hosted by Denbighshire County Council for the function of care home accommodation for older people. The relevant transactions and balances are detailed in Note 42 of the accounts.

**NOTE 33 – RELATED PARTIES (continued)****Welsh Joint Education Committee (WJEC)**

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
389	0	0

**Entities Controlled or Significantly Influenced by the Authority**

Cwmni Cynnal Cyf. was established by Gwynedd Council and the Isle of Anglesey County Council in 1996, and was then registered as a charity in 1997. It provided education support services under contract to schools and the local education authorities as well as school inspection services to Estyn. The company was limited by guarantee and the Council's liability was limited to £1. The income of the company could only be applied towards promotion of its objectives. The Company ceased trading on the 31 March 2022 with its activities transferred to its members, Gwynedd Council and the Isle of Anglesey County Council. On winding up of the company and following payment of all debts and liabilities, any remaining assets are not permitted to be transferred to the members of the company; but is to be given or transferred to another charitable organisation as determined by the Company Management Committee, which has similar objectives to those of the company, and which will prohibit the distribution of its assets among its members. This will be a long process, with members of Cynnal required to enter into a voluntary liquidation process before going through the legal process of transferring to the new charitable organisation of which will need the Charity Commission's approval. Payments to Cwmni Cynnal during 2021/22 for services to schools and balances at 31 March 2022 are as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
873	1	0

**Subsidiary**

Byw'n lach Ltd was established on 27 June 2018 to provide a leisure service for the residents of Gwynedd. The company is limited by guarantee and the Council's liability is limited to £1, with Gwynedd Council being the sole proprietor. Management responsibilities were transferred to the Leisure Company on 1 April 2019 with a service contract in place which sets out the actual services and outcomes that the company is required to deliver for its fee. The Board of Directors is made up of 7 elected members of Gwynedd Council. Copies of the audited financial statements for the financial year 2021/22 can be obtained from Byw'n lach website. The payments to Byw'n lach Ltd for Leisure Services during 2021/22 and the balances at 31 March 2022 are as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1,411	146	(516)

## NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

<b>31 March</b>		<b>31 March</b>
<b>2021</b>		<b>2022</b>
<b>£'000</b>		<b>£'000</b>
496,272	Non-current Assets and Assets Held for Sale	520,598
(115,595)	Revaluation Reserve	(128,679)
(206,658)	Capital Adjustment Account	(222,580)
<b>174,019</b>	<b>Capital Financing Requirement</b>	<b>169,339</b>

The movement in the year is explained as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>176,807</b>	<b>Capital Financing Requirement 1 April</b>	<b>174,019</b>
11,375	Land and Buildings	10,651
8,289	Infrastructure	12,144
5,281	Vehicles, Plant and Equipment	7,676
9	Surplus Assets	28
5,069	Funded from capital under statute	7,055
(43)	Capital Receipts used	(79)
(23,937)	Government Grants and other contributions	(34,626)
(1,232)	Capital expenditure charged to revenue	0
(5,426)	Revenue provision for the financing of supported capital investment	(5,387)
	Additional voluntary sums set aside:	
(2,173)	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	(2,142)
<b>174,019</b>	<b>Capital Financing Requirement 31 March</b>	<b>169,339</b>

## NOTE 35 – LEASES

### Authority as Lessee

#### Finance Leases

The Council has property under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet. Included here is the GwyriAD Service Concession Arrangement (Note 41) at the following net amount:

<b>31 March</b>		<b>31 March</b>
<b>2021</b>		<b>2022</b>
<b>£'000</b>		<b>£'000</b>
2,664	Property, Plant and Equipment	2,300
<b>2,664</b>		<b>2,300</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<b>31 March</b>		<b>31 March</b>
<b>2021</b>		<b>2022</b>
<b>£'000</b>		<b>£'000</b>
<b>Finance Lease Liabilities</b>		
(net present value of minimum lease payments):		
170	current	181
1,370	non-current	1,189
<b>1,540</b>	Minimum lease payments	<b>1,370</b>

The remaining asset shown above has been funded by a deferred credit (refer to Note 41).

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
No later than one year	170	181	170	181
Later than one year and not later than five years	792	841	792	841
More than five years	578	348	578	348
	<b>1,540</b>	<b>1,370</b>	<b>1,540</b>	<b>1,370</b>

In 2021/22, minimum lease payments were made by the Authority of £170,164 (£160,282 in 2020/21) in respect of those assets held as a finance lease.



## NOTE 35 – LEASES (continued)

### Operating Leases

	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
No later than one year	475	431
Later than one year and not later than five years	242	177
Later than five years	212	175
	<b>929</b>	<b>783</b>

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Minimum lease payments	556	625
	<b>556</b>	<b>625</b>

### Authority as Lessor

#### Finance Leases

The Council has leased out property on a finance lease, including:

- The Sailing Academy in Pwllheli,
- Rhyd Ddu Outdoor Centre

These leases are on a peppercorn rent basis and for a term that equates to the economic life of the assets. No premium has been received for these leases.

#### Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
No later than one year	390	401
Later than one year and not later than five years	843	922
Later than five years	3,223	3,039
	<b>4,456</b>	<b>4,362</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £1,039,632 minimum lease payments were receivable by the Council (£1,198,984 in 2020/21).

## NOTE 36 – EXIT PACKAGES

The number of exit packages with total cost per band, and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related package cost to the employer, rather than the actual value of the payments to the individuals. In accordance with the requirements the related commitments as known to the Council as at 31 March 2022 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £'000	2021/22 £'000
£								
0 - 20,000	31	13	18	3	49	16	259	133
20,001 - 40,000	2	0	3	0	5	0	139	0
40,001 - 60,000	0	1	1	1	1	2	42	107
60,001 - 80,000	1	0	2	0	3	0	201	0
Adjustment to previous year's estimate							(2)	17
<b>Total</b>	<b>34</b>	<b>14</b>	<b>24</b>	<b>4</b>	<b>58</b>	<b>18</b>	<b>639</b>	<b>257</b>

## NOTE 37 – PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Government's Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Financial Statement, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22 the Council paid £11.02m (£10.23m in 2020/21) in respect of teachers' pension costs, which represented 23.68% (23.67% in 2020/21) of teachers' pensionable pay. In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. In 2021/22 these amounted to £0.94m (£1.05m in 2020/21) representing 2.01% (2.42% in 2020/21) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 38.

## NOTE 38 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement.

Gwynedd Council participates in two post-employment benefit schemes:

- a) **The Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit scheme based on final salary for service up to 31 March 2014, and based on a career average salary from 1 April 2014. The Authority and the employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. Gwynedd Council's proportion of the total contributions to the Gwynedd Pension Fund in 2021/22 was 38% (35% in 2020/21).
- b) **Arrangements for the award of discretionary post-retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Gwynedd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Gwynedd Council. Policy is determined in accordance with the Local Government Pensions Scheme Regulations. In the past the investment managers of the fund have been appointed by the Gwynedd Pension Fund Committee. As the investments are transferred to the Wales Pension Partnership (WPP) the managers will be appointed by the partnership.

The principal risks to the Authority from the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (such as large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the amounts required by statute as described in the accounting policies note to the General Fund.

### Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

**NOTE 38 – PENSION COSTS (continued)**

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2021			Period ended 31 March 2022		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Plan Assets	685,179	0	685,179	894,265	0	894,265
Present Value of Funded Liabilities	0	(905,466)	(905,466)	0	(1,233,160)	(1,233,160)
Present Value of Unfunded Liabilities	0	(24,357)	(24,357)	0	(24,957)	(24,957)
<b>Opening Position at 1 April</b>	<b>685,179</b>	<b>(929,823)</b>	<b>(244,644)</b>	<b>894,265</b>	<b>(1,258,117)</b>	<b>(363,852)</b>
Service Cost						
Current Service Cost*	0	(35,577)	(35,577)	0	(60,875)	(60,875)
Past Service Costs (including curtailments)	0	(14)	(14)	0	0	0
<b>Total Service Cost</b>	<b>0</b>	<b>(35,591)</b>	<b>(35,591)</b>	<b>0</b>	<b>(60,875)</b>	<b>(60,875)</b>
Net interest						
Interest Income on Plan Assets	15,839	0	15,839	17,971	0	17,971
Interest Cost on Defined Benefit Obligation	0	(21,610)	(21,610)	0	(25,603)	(25,603)
<b>Total Net Interest</b>	<b>15,839</b>	<b>(21,610)</b>	<b>(5,771)</b>	<b>17,971</b>	<b>(25,603)</b>	<b>(7,632)</b>
<b>Total Defined Benefit Cost Recognised in Profit/(Loss)</b>	<b>15,839</b>	<b>(57,201)</b>	<b>(41,362)</b>	<b>17,971</b>	<b>(86,478)</b>	<b>(68,507)</b>
Cash flows						
Participants' contributions	6,365	(6,365)	0	6,697	(6,697)	0
Employer contributions	20,943	0	20,943	23,057	0	23,057
Estimated contributions in respect of unfunded benefits	1,675	0	1,675	1,599	0	1,599
Estimated benefits paid	(19,366)	19,366	0	(19,927)	19,927	0
Estimated unfunded benefits paid	(1,675)	1,675	0	(1,599)	1,599	0
<b>Expected Closing Position</b>	<b>708,960</b>	<b>(972,348)</b>	<b>(263,388)</b>	<b>922,063</b>	<b>(1,329,766)</b>	<b>(407,703)</b>
Remeasurements						
Change in demographic assumptions	0	(15,348)	(15,348)	0	6,615	6,615
Change in financial assumptions	0	(279,335)	(279,335)	0	95,995	95,995
Other experience	0	8,914	8,914	0	(798)	(798)
Return on Assets excluding amounts included in net interest	185,305	0	185,305	63,844	0	63,844
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>185,305</b>	<b>(285,769)</b>	<b>(100,464)</b>	<b>63,844</b>	<b>101,812</b>	<b>165,656</b>
Fair Value of Plan Assets	894,265	0	894,265	985,907	0	985,907
Present Value of Funded Liabilities	0	(1,233,160)	(1,233,160)	0	(1,206,012)	(1,206,012)
Present Value of Unfunded Liabilities**	0	(24,957)	(24,957)	0	(21,942)	(21,942)
<b>Closing Position at 31 March***</b>	<b>894,265</b>	<b>(1,258,117)</b>	<b>(363,852)</b>	<b>985,907</b>	<b>(1,227,954)</b>	<b>(242,047)</b>

\* The current service cost includes an allowance for administration expenses of 0.5% of payroll

\*\* This liability comprises approximately £8,239,000 in respect of LGPS unfunded pensions and £13,703,000 in respect of Teachers' unfunded pensions.

\*\*\* Gwynedd Council's 12.5% share of the NWEAB's pension liability, which equates to £118k is also included in the accounts.

## NOTE 38 – PENSION COSTS (continued)

### The Major Categories of Plan Assets as a Percentage of Total Plan Assets

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets, and to further break them down between those with a quoted price in an active market, and those that are not quoted. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2021. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2022 to be £2.734bn based on information provided by the Administering Authority and allowing for index returns where necessary.

### Fair Value of Employer Assets

The asset values below are at bid value as required under IAS19.

Asset Category	At 31 March 2021				At 31 March 2022			
	Quoted Prices in Active Markets £'000	Prices not quoted in Active Markets £'000	Total £'000	%	Quoted Prices in Active Markets £'000	Prices not quoted in Active Markets £'000	Total £'000	%
<b>Equity Securities</b>								
Consumer	0	0	0	0	0	0	0	0
Manufacturing	0	0	0	0	0	0	0	0
Energy and Utilities	0	0	0	0	0	0	0	0
Financial Institutions	0	0	0	0	0	0	0	0
Health and Care	0	0	0	0	0	0	0	0
Information Technology	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>Private Equity</b>								
All	0	55,604	55,604	6	0	55,560	55,560	6
<b>Debt Securities</b>								
Other	0	0	0	0	0	0	0	0
<b>Real Estate</b>								
UK Property	0	70,927	70,927	8	0	84,556	84,556	9
Overseas Property	0	0	0	0	0	0	0	0
<b>Investment Funds and Unit Trusts</b>								
Equities	0	572,959	572,959	64	0	626,572	626,572	63
Bonds	0	0	0	0	0	0	0	0
Infrastructure	0	15,764	15,764	2	0	19,270	19,270	2
Other	0	173,850	173,850	19	0	196,874	196,874	20
<b>Cash and Cash Equivalents</b>								
All	5,161	0	5,161	1	3,075	0	3,075	0
<b>Total</b>	<b>5,161</b>	<b>889,104</b>	<b>894,265</b>	<b>100</b>	<b>3,075</b>	<b>982,832</b>	<b>985,907</b>	<b>100</b>

## NOTE 38 – PENSION COSTS (continued)

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, life expectancy and salary levels. Life expectancy is based on fund-specific projections called VitaCurves with long-term improvement assumed to have already peaked and converging to 1.5% per annum.

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. Estimates for the Gwynedd Pension Fund were based on the latest full valuation of the scheme as at 31 March 2019. The significant assumptions used by the actuary in the following table have had a significant impact on the values of the assets and liabilities as follows:

	31 March 2021	31 March 2022
<b>Financial Assumptions</b>	<b>% p.a.</b>	<b>% p.a.</b>
Pensions Increase Rate	2.85	3.20
Salary Increase Rate	3.15	3.50
Inflation Rate	2.85	3.20
Discount Rate	2.00	2.70
Long-term expected rate of return on all categories of assets	2.00	2.70
<b>Take-up option to convert annual pension into retirement lump sum</b>		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
<b>Mortality assumptions</b>	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners		
Men	21.5	21.3
Women	23.9	23.7
Longevity at 65 for future pensioners		
Men	22.7	22.4
Women	25.9	25.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2022 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the Council of a one-year increase in life expectancy. For sensitivity purposes this is assumed to be an increase in the cost of benefits of broadly 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). The figures in the table below have been derived based on the membership profile of the Council as at 31 March 2019, the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

## NOTE 38 – PENSION COSTS (continued)

<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
<b>Change in assumption</b>	<b>Approximate increase to Defined Benefit Obligation 31 March 2022</b>	<b>Approximate monetary amount 31 March 2022</b>
	<b>%</b>	<b>£'000</b>
0.1% decrease in real discount rate	2	26,184
1 year increase in member life expectancy	4	49,118
0.1% increase in the salary increase rate	0	3,007
0.1% increase in the pension increase rate	2	22,974

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

### Impact on the Council's Cash Flows

One of the objectives of the scheme is that employer contributions should be kept at as constant a rate as possible. Gwynedd Council has agreed a strategy with the fund's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis.

The contributions paid by the Council are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2019), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2022 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Council, please refer to the 2019 actuarial report dated 31 March 2020.

### Information about the Defined Benefit Obligation

	<b>Liability Split 31 March 2022</b>	
	<b>£'000</b>	<b>%</b>
Active Members	717,139	59.5
Deferred Members	194,195	16.1
Pensioner Members	293,958	24.4
<b>Total</b>	<b>1,205,292</b>	<b>100.0</b>

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are effective at the previous formal valuation as at 31 March 2019.

### Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2023 are £22.932m.

As the Actuary's report is based on estimates and due to timing issues, an adjustment of £218,134 has been made in 2021/22 (£515,736 in 2020/21) to bring the deficit in the Scheme based on the Actuarial figures in line with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

## **NOTE 38 – PENSION COSTS (continued)**

### **North Wales Economic Ambition Board (NWEAB)**

Gwynedd Council's 12.5% share of the NWEAB's Pension Costs have also been included in the accounts, and further details can be seen in the NWEAB's Statement of accounts:

[Statement of accounts \(llyw.cymru\)](#)

## **NOTE 39 – CONTINGENT LIABILITIES**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

The position below relates to circumstances involving two specific contingent liabilities:

- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (MMI) Fund on 30 September 1992.

MMI made a scheme of arrangement with its creditors, by which, if MMI had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992/93. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable. An initial levy of 15% of the payments made since 30 September 1992 was paid during 2013/14, and a further 10% was paid in 2016/17.

However, in accordance with the scheme, a further levy may be raised should the original levy be insufficient to meet MMI's liabilities in the longer term. Gwynedd Council is of the opinion that it would be prudent to hold a fund in the expectation that the original levy will be inadequate. The maximum potential liability to this Authority based on the latest published figures available at the end of the financial year is £1.3m.

## **NOTE 40 – TRUSTS**

The Council acts as sole trustee for 172 bequests such as school prize funds, and comforts and improvements funds for numerous Council Establishments. The largest fund, the Welsh Church Fund, has a completely separate accounting ledger, whereas, the Council holds the property for 171 of these bequests but makes no decision on the use of these funds. In every case, the funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

The total balance of the 171 bequests derecognised from the Council's Balance Sheet at 31 March 2022 was £1,146,121 (£1,128,101 on 31 March 2021). The funds are fully invested to generate income.

The largest bequests, the Welsh Church Fund and FMG Morgan Trust Fund, are detailed in appendices A and B of these accounts.



## NOTE 41 – SERVICE CONCESSION ARRANGEMENTS

GwyrAD is a Service Concession Arrangement, otherwise known as a ‘Private Finance Initiative’ (PFI) scheme. The construction commenced in 2012/13 and the plant became operational in September 2013. It is a treatment plant for source-segregated food waste from Gwynedd residents and businesses (mainly) using Anaerobic Digestion (AD) technology. The enterprise is assisting the Council to meet its recycling targets, and to work within its allowances for landfilling of Biodegradable Municipal Waste for a period of 15 years.

The assets used to provide the service are recognised on the Council’s Balance Sheet. The value of the related assets was £2.3m as at 31 March 2022 (£2.7m as at 31 March 2021). The Council makes an agreed payment (gate fee) each year based on a minimum amount of tonnage which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. The Council has the right to increase the amount of tonnages over the agreed 7,500 tons to a maximum of 11,000 tons, and will pay a reduced gate fee for anything over 7,500 tons.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£’000	£’000	£’000	£’000
Paid in 2021/22	498	170	95	763
Payable in 2022/23	498	181	84	763
Payable within 2 to 5 years	1,991	841	219	3,051
Payable within 6 to 10 years	705	348	28	1,081
<b>Total</b>	<b>3,692</b>	<b>1,540</b>	<b>426</b>	<b>5,658</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

The contractor receives income from energy that is generated from the waste which has enabled it to keep the unitary payment low for the Council. If the income is higher than that which is in the contract, there is an arrangement for it to be shared between the contractor and Gwynedd Council.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2021/22	
	Lease Liability	Deferred Income
	£’000	£’000
Balance outstanding at 1 April 2021	(1,540)	(1,081)
Repayment of principal during the year	170	0
Release of deferred income	0	146
<b>Balance outstanding at 31 March 2022</b>	<b>(1,370)</b>	<b>(935)</b>

Either party can terminate the agreement at any time should there be deficiencies, subject to giving notice in accordance with the terms of the agreement. Equally, the Council can unilaterally terminate the agreement in accordance with the terms therein. There would be compensation payments linked to any termination arrangement. At the expiry of the agreement, the Council has the right to re-tender for a contractor to provide the service.

## NOTE 42 – POOLED BUDGET

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1<sup>st</sup> April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22).

The Council's transactions are included under Adults, Health and Well-being in the Comprehensive Income and Expenditure Statement. The income and expenditure for this pooled budget arrangement are included in the table below:

<b>Care Homes for the Elderly</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Expenditure</b>	
93,035	Care Home costs	98,982
<b>93,035</b>	<b>Total Expenditure</b>	<b>98,982</b>
	<b>Funding</b>	
(8,626)	Denbighshire County Council	(9,340)
(13,106)	Conwy County Borough Council	(14,221)
(9,397)	Flintshire County Council	(10,095)
(12,203)	Wrexham County Borough Council	(15,317)
(8,641)	Gwynedd Council	(9,143)
(5,049)	Isle of Anglesey County Council	(5,209)
(36,013)	Betsi Cadwaladr University Health Board	(35,657)
<b>(93,035)</b>	<b>Total Funding</b>	<b>(98,982)</b>
<b>0</b>	<b>(Surplus) / Deficit transferred to Reserve</b>	<b>0</b>

## NOTE 43 – JOINT OPERATIONS AND JOINT COMMITTEES

The Council currently participates in a number of joint operations with neighbouring North Wales authorities.

During 2021/22, Gwynedd Council participated in four joint committee and three joint operation, collaborating in particular areas between local authorities. Separate accounts are required for joint committees. The four joint committee relating to Gwynedd in 2021/22 are:

- Joint Planning Policy Committee
- GwE
- North Wales Residual Waste Treatment Project (NWRWTP)
- North Wales Economic Ambition Board (NWEAB)

The three joint operation relating to Gwynedd in 2021/22, which are a result of the Covid-19 crisis, are:

- Test, Trace and Protect Programme
- Temporary Mortuary at Mochdre
- Bus Emergency Scheme

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, Gwynedd Council's accounts reflect the related actual net liability, although the subjective analysis position varies subject to the circumstances, and the reporting arrangements, of the various joint committees (except for the NWEAB). The figures and the share relating to Gwynedd have been included in the table below:

<b>Joint Committee / Joint Operation</b>	<b>Host Authority for Finance</b>	<b>Councils and Organisations participating in the Joint Committee / Joint Operation</b>	<b>Gwynedd Council's Share %</b>	<b>Value of Gwynedd's Share (Income and Expenditure Account) £'000</b>
<b>Joint Committee</b> Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50.00	219
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle Anglesey County Council Wrexham County Borough Council	17.63	745
North Wales Residual Waste Treatment Project	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	23.67	0
North Wales Economic Ambition Board	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle Anglesey County Council Wrexham County Borough Council Bangor University Grŵp Llandrillo Menai Wrexham Glyndŵr University Coleg Cambria	*Refer to note below	

<b>Joint Operation</b>				
Test, Trace and Protect Programme	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	16.99	1,440
Temporary Mortuary at Mochdre	Flintshire County Council /Conwy County Borough Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	17.71	5
Bus Emergency Scheme	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	24.03	381

\*Gwynedd Council's accounts include their actual transactions and balances in respect of the NWEAB's business as well as their share of the remaining transactions and balances, which have been distributed as 12.5% (Local Authority) and 6.25% (Further/Higher Education) in accordance with the allocations in the Governance Agreement 2.

The individual joint committees' accounts are available on the website of the councils which are host authorities for finance.

#### **NOTE 44 – EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised by the Head of Finance on 10 June 2022. Events taking place after this date are not reflected in the financial statements or related notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect its impact. Following the release of new asset valuation guidance by Audit Wales in May 2022, which has yet to be finalised, the associated figures will be impacted and the relevant adjustments are due to be completed prior to the publication of the final version of the accounts.

<b>THE WELSH CHURCH FUND</b>
------------------------------

2020/21 £'000		2021/22	
		£'000	£'000
936	<b>Amount of Fund at 1 April</b>		958
	<b>Add - Income during the year</b>		
41	Interest on Investments		42
	<b>Less - Expenditure during the year</b>		
(19)	Grants and expenses	(30)	(30)
<b>958</b>	<b>Amount of Fund at 31 March</b>		<b>970</b>
	<b>Represented by the following Assets</b>		
1	Debtors		0
900	Investments		900
62	Cash in Hand		73
963			973
(5)	<b>Less - Creditors</b>		(3)
<b>958</b>	<b>Total</b>		<b>970</b>

**NOTES TO THE ACCOUNTS**

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.
3. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2022 was £957,522.

<b>FMG MORGAN TRUST FUND</b>
------------------------------

2020/21 £'000		2021/22 £'000
194	<b>Amount of Fund at 1 April</b>	188
	<b>Add - Income during the year</b>	
13	Interest on assets	14
	<b>Less - Expenditure during the year</b>	
(19)	Grants	(18)
<b>188</b>	<b>Amount of Fund at 31 March</b>	<b>184</b>
	<b>Assets</b>	
144	Investments	144
44	Cash in Hand	40
<b>188</b>		<b>184</b>

### NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2022 was £378,818 (£362,553 at 31 March 2021).
3. The FMG Morgan Fund is outside the provision of the Charities Act 1993. No independent examination or audit is therefore required in respect of this Trust Fund.

## Glossary

**Actuarial Gains and Losses** – For a defined benefit pension scheme, the changes in actuarial surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

**Amortisation** – The gradual elimination of a liability, such as a loan, with regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.

**Asset** – Items of worth that are measurable in terms of value.

- A current asset will be consumed or will cease to have material value within the next financial year.
- A non-current asset provides benefit to the Council and to the services it provides for a period of more than one year.

**Balances (or Reserves)** – These represent accumulated funds available to the Council. Some balances (reserve) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities.

**Capital Adjustment Account** – A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

**Capital Expenditure** – Expenditure on the procurement of a non-current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, value of an existing non-current asset.

**Capital Financing** – Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Capital Receipt** – Income received from the sale of land or other capital assets.

**CIPFA (Chartered Institute of Public Finance and Accounting)** – The professional institute for accountants working in the public sector.

**Community Assets** – These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples are parks and historical buildings.

**Creditors** – Amounts owed by the Council for work done, goods received or services rendered, for which payments have not been made by the end of that accounting period.

**Current Service Cost** – The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

**Debtors** – Amount owed to the Council for work done, goods received or service rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**Defined Benefit Scheme** – A pension or other retirement benefit scheme other than a defined contribution scheme.

**Defined Contribution Scheme** – A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to the employee Service in the current and prior periods.

**Depreciated Replacement Cost (DRC)** – A method of valuation that provides a proxy for the market value of specialist assets.

**Depreciation** – A measure of the cost of the economic benefits of the tangible fixed assets consumed during the period.

**Fair Value** – The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease** – A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

**Financial Instruments** – Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

**General Fund** – This is the main revenue fund of the Council and it includes the net cost of all services financed by local taxpayers and Government grants.

**Heritage Assets** – An asset with Historical, Artistic, Scientific, Technological, Geophysical or Environmental qualities that is held and maintained principally for its contributions to knowledge and culture.

**Impairment** – A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

**Intangible Asset** – An intangible asset is an identifiable non-monetary asset without physical substance. An example includes computer software.

**International Financial Reporting Standards (IFRS)** – A suite of accounting standards used across the world. They must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

**Inventories** – Amounts of unused or unconsumed stocks held in expectation of future use. They are categorised as goods or other assets purchased for resale, consumable stores, raw materials and Components, Products and Services in intermediate stages of completion and finished goods.

**Investment Property** – Property that is held solely to earn rentals or for capital appreciation, or both.

**Liability** – Amounts due to individuals or organisations which will have to be paid at some time in the future.

**Minimum Revenue Provision (MRP)** – This is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities.

**Net Book Value** – The amounts in which fixed assets are included in the Balance Sheet, i.e their historical cost or current value, less the cumulative amount provided for depreciation.

**Operating Lease** – A type of lease, usually on computer equipment, office equipment, furniture etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

**Precepts** – The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council taxpayers on their behalf.

**Private Finance Initiative (PFI)** – A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.

**Provision** – A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

**Related Parties** – Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

**Trust Funds** – Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.



# Agenda Item 6

<b>MEETING</b>	Audit and Governance Committee
<b>DATE</b>	8 September 2022
<b>TITLE</b>	Audit Wales Reports
<b>AMCAN</b>	Provide an update to the Committee on the Audit Wales work programme for Quarter 1 and reports published recently
<b>RECOMMENDATION</b>	Members are asked to accept the report.
<b>AUTHOR</b>	Dewi W. Jones, Council Business Support Service Manager/Alan Hughes, Audit Lead, Audit Wales

## 1. BACKGROUND

- 1.1. The Audit and Governance Committee has a role to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council and as part of this role there is an expectation to consider the reports of external review bodies such as Audit Wales, Estyn and Care Inspectorate Wales (CIW).
- 1.2. As well as actively considering reports the committee are expected to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them. To facilitate this work Audit Wales has prepared a quarterly update on the work of the review bodies and a copy of this document for Quarter 1 is included as **Appendix 1**.
- 1.3. A report on the current studies of Audit Wales, Estyn and Care Inspectorate Wales (CSSIW) and the progress made by the Council in response to proposals or recommendations was presented to the meeting of this Committee on the 30th of June 2022. The next report will be presented in November.
- 1.4. In the meantime, a copy of the 'Direct Payments for Adult Social Care' has been included as **Appendix 2** for your consideration and an officer from the Adult, Health and Wellbeing Department will attend the meeting to set the local context and respond to any questions if necessary.

## Audit Wales Work Programme and Timetable – Gwynedd Council

**Quarterly Update: 30 June 2022**

### **Annual Audit Summary**

Description	Timetable	Status
<b>A report summarising completed audit work since the last Annual Audit Summary, which was issued in January 2022.</b>	December 2022	Draft report to be issued in November 2022.

## Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council and its Minor Joint Committees' 2021-22 Statement of Accounts</b>	To provide an opinion on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2022.	Final Audit: <ul style="list-style-type: none"> <li>• June through to October 2022</li> </ul>	<p>Gwynedd Council Statement of Accounts were received on 13 June 2022 and audit fieldwork is underway.</p> <p>Joint Planning Policy Committee's Annual Return was received on 17 June 2022.</p> <p>Harbours' Annual Return was received on 25 May 2022.</p> <p>These audits have not yet commenced.</p>
<b>Audit of the Gwynedd Pension Fund Statement of Accounts</b>	To provide an opinion on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2022.	Final audit: <ul style="list-style-type: none"> <li>• October 2022 through to November 2022.</li> </ul>	Statements of Accounts received on 27 June 2022.

Description	Scope	Timetable	Status
<p><b>Certification of Grant returns:</b></p> <p>Teachers' Pension Contributions for the financial year 2021-22</p>	<p>Certification that the end of year certificate is:</p> <ul style="list-style-type: none"> <li>• Not fairly stated</li> <li>• Is not in accordance with the relevant terms and conditions</li> </ul>	<p>Council deadline last working day in May 2022. Certification deadline 30 November 2022.</p>	<p>Return received on 30 June 2022.</p>
<p>Certification of Grant returns: Non-Domestic Rates 2021-22</p>	<p>Certification that nothing has come to our attention to indicate that the return is:</p> <ul style="list-style-type: none"> <li>• Not fairly stated</li> <li>• Is not in accordance with the relevant terms and conditions</li> </ul>	<p>Council deadline 30 June 2022. Certification deadline 30 November 2022.</p>	<p>Return received on 30 June 2022.</p>
<p><b>Certification of Grant returns: Housing Benefit Subsidy 2021-22</b></p>	<p>Certification that nothing has come to our attention to indicate that the return is:</p> <ul style="list-style-type: none"> <li>• Not fairly stated</li> <li>• Is not in accordance with the relevant terms and conditions</li> </ul>	<p>Council deadline 30 April 2022. Certification deadline 31 January 2023.</p>	<p>Return received on 27 April 2022.</p>

## Performance Audit work

2021-22 Performance audit work	Scope	Timetable	Status
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	We will seek to integrate the delivery of our WFG examinations of steps to deliver well-being objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	Not applicable	Not applicable
<b>Improvement reporting audit</b>	Audit of discharge of duty to publish an assessment of performance.	October 2021	Certificate issued August 2021.

2021-22 Performance audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Gwynedd Council the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• Financial position</li> <li>• Self-assessment arrangements</li> <li>• Implications of the Local Government and Elections (Wales) Act</li> <li>• Carbon reduction plans</li> </ul>	April 2021 to September 2022	Ongoing

2021-22 Performance audit work	Scope	Timetable	Status
<b>Springing Forward – Examining the building blocks for a sustainable future</b>	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	October 2021– March 2022. Focus on workforce and asset management.	Final report published July 2022.
<b>Review of Performance Management</b>	Review the way performance management framework at the Council supports demand-led service delivery.	August 2021 to January 2022	Final <u>report</u> published January 2022.

2022-23 Performance audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle. The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> <li>• Financial position</li> <li>• Capital programme management</li> <li>• Use of performance information – with a focus on service user feedback and outcomes.</li> <li>• Setting of well-being objectives.</li> </ul>	April 2022 to July 2023	Ongoing



2022-23 Performance audit work	Scope	Timetable	Status
<b>Thematic Review – Unscheduled Care</b>	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	July – December 2022	Scoping
<b>Thematic review – Digital</b>	This project will be scoped over the summer with further details of the specific focus of the review to be confirmed.	To be confirmed.	Scoping
<b>Review of the Effectiveness of Scrutiny</b>	This review will ask the question: Does the Council has effective arrangements for scrutiny at public committee?	July – December 2022	Scoping

## Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Gwynedd Council
<b>Poverty</b>	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	Autumn 2021 – Autumn 2022	Drawing Conclusions	Yes – interview with nominated officer at the Council
<b>Social Enterprises</b>	Review of how local authorities are supporting and utilising social enterprises to deliver services.	Autumn 2021 – Autumn 2022	Drawing conclusions	Yes – interview with nominated officer at the Council
<b>Building Social Resilience and Self reliance</b>	Review of how local authorities can build greater resilience in communities.	Autumn 2021 – Autumn 2022	Drawing conclusions	Yes – interview with nominated officer at the Council

## Estyn

Estyn planned work 2022-23	Scope	Timetable	Status
<b>Local Government Education Services Inspections</b>	<p>Estyn inspected Anglesey and Swansea local government education services during the summer term. The reports will be published in August and early September. The <a href="#">Torfaen</a> report was published on 18 May. Estyn will be reviewing the inspection guidance to reflect a greater emphasis on socio-economic disadvantage and inequity and to make minor tweaks in response to feedback from inspections in 2021-22.</p>	<p>Inspection guidance review – July. Published on website 1 September.</p>	<p>N/A</p>
<b>Curriculum Reform thematic review</b>	<p>The Welsh Government have also asked Estyn to review the school improvement services in south-west Wales.</p>	<p>Evidence collecting in June/July – published in September.</p>	<p>N/A</p>

## Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
<b>Programme 2022-23</b>	CIW will continue to run its pilot cyclic programme of assurance checks, improvement checks and performance evaluation inspections.	April 2022 – March 2023	In progress
<b>Development</b>	<p>CIW will continue to develop its approach to inspection and review of local authorities.</p> <p>CIW will consult further regarding its approach.</p>	September 2022 – December 2022	In progress
<b>Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22</b>	Following the publication of the 2020-21 report, planning is underway for the next report publication date to be confirmed.	Publication to be confirmed	Data collecting
<b>Annual meeting with Statutory Directors of Social Services</b>	CIW will meet with all Directors of Social Services.	December 2022 and January 2023	Planning

CIW planned work 2022-23	Scope	Timetable	Status
<p><b>National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings</b></p>	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	<p>September 2022</p>	<p>Planning</p>
<p><b>Joint Inspection Child Protection Arrangements</b></p>	<p>Cross-inspectorate approach. Area to be determined. We will complete a further four multi agency joint inspections.</p> <p>We will publish a national report in late 2023.</p>	<p>Autumn 2022-Spring 2023</p>	<p>Planning</p>
<p><b>Cafcass Assurance Check</b></p>	<p>CIW will continue to develop its approach to inspection and review of Cafcass Cymru. We will evaluate our approach and will consult on our revised approach in late 2022.</p> <p>Assurance check completed. Drafting letter. Due to be published August 2022.</p>	<p>September – December 2022</p> <p>August 2022</p>	<p>Review</p> <p>Drafting</p>

## Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
Tackling the Planned Care Backlog in Wales – and waiting times data tool	<a href="#">May 2022</a>
The new Curriculum for Wales	<a href="#">May 2022</a>
Unscheduled care – data tool and commentary	<a href="#">April 2022</a>
Direct Payments for Adult Social Care	<a href="#">April 2022</a>
Local Government Financial Sustainability data tool	<a href="#">February 2022</a>
Joint Working Between Emergency Services (including data tool)	<a href="#">January 2022</a>

## Audit Wales national reports and other outputs (work in progress/planned)<sup>1</sup>

Title	Anticipated publication date
NHS finances data tool update	July 2022
Welsh Community Care Information System  (Update for the Public Accounts and Public Administration Committee)	July 2022
COVID response and recovery/Welsh Government grants management – third sector support  (Briefing for the Public Accounts and Public Administration Committee)	July 2022
Climate change – baseline review <sup>2</sup>	July/August 2022
Sustainable Tourism in Wales' National Parks <sup>3</sup>	July 2022
Welsh Government setting of well-being objectives	July 2022

<sup>1</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for the Public Accounts and Public Administration Committee.

<sup>2</sup> An initial overview report followed by a more detailed evidence paper.

<sup>3</sup> Summary based on local audit work.

Title	Anticipated publication date
Collaborative arrangements for managing local public health resources	July 2022
Welsh Government workforce	August 2022
Orthopaedic services	August/September 2022
Equality impact assessment	August/September 2022
Quality governance in the NHS	September 2022
Flood risk management	September 2022
Cyber resilience	October 2022
Digital inclusion/Broadband infrastructure	October 2022
National Fraud Initiative (summary report)	October 2022
Welsh Government accounts commentary	To be confirmed – plans for this work have been under review
COVID-19 response and recovery – business support	To be confirmed
Affordable housing	To be confirmed



## Good Practice Exchange resources

Title	Link to resource
<p>Direct Payments Provision – A webinar discussing our report on Direct Payments Provision and how they can be a key part in implementing the principles of the Social Service and Well-Being (Wales) Act 2014</p>	<p><a href="#">Direct Payments Provision webinar recording</a></p>
<p>Responding to the Climate Emergency in Wales A webinar discussing emerging findings from our baseline review of public bodies' arrangements to respond to the Welsh Government's carbon reduction targets for 2030.</p>	<p>Responding to the Climate Emergency in Wales recording [link to be added]</p>
<p>Covid Perspectives: A series of recorded conversations learning how organisations have adapted to the extended period of uncertainty following the initial covid emergency.</p>	<p><a href="#">Good Practice   Audit Wales</a></p>

## Recent Audit Wales Blogs

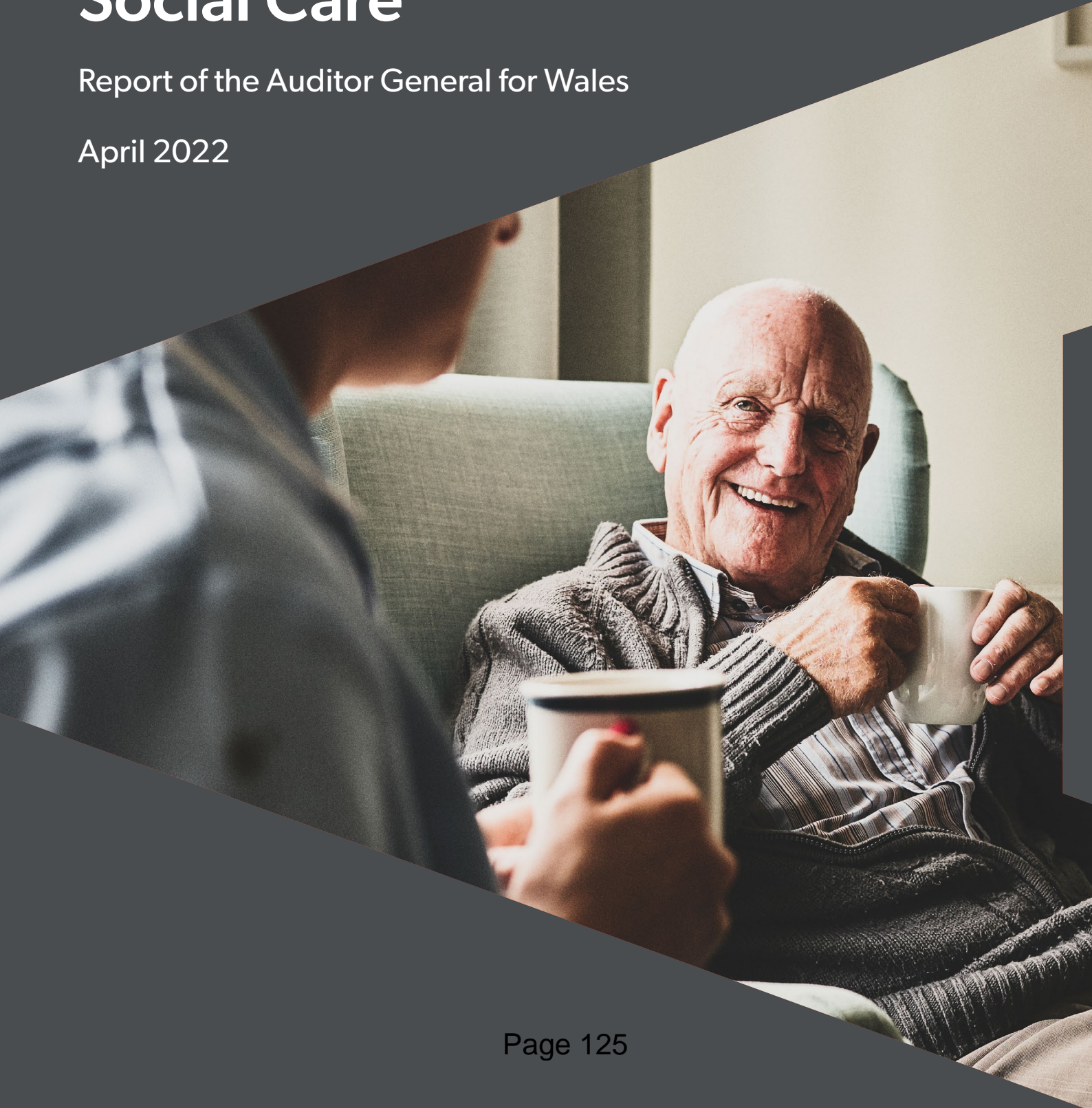
Title	Publication date
<p><a href="#">Direct Payments in Wales</a></p>	<p>15 June 2022</p>
<p><a href="#">Unscheduled Care in Wales – a system under real pressure</a></p>	<p>21 April 2022</p>
<p><a href="#">Skills Competition Wales</a></p>	<p>18 February 2022</p>

Title	Publication date
<u>Cyber resilience – one year on</u>	9 February 2022
<u>Helping to tell the story through numbers</u> (Local government financial sustainability data tool)	3 February 2022
<u>Call for clearer information on climate change spending</u>	2 February 2022
<u>Actions speak louder than words</u> (Building social resilience and self-reliance in citizens and communities)	14 January 2022

# Direct Payments for Adult Social Care

Report of the Auditor General for Wales

April 2022



This report has been prepared for presentation to the Senedd under the Public Audit (Wales) Act 2004.

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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# Summary report

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## Background

### The Social Services and Well-Being (Wales) Act 2014

- 1 The Senedd passed the Social Services and Well-being (Wales) Act in 2014 and it came into force in April 2016. The Act seeks to shift away from the traditional ways of providing social care, which were considered unsustainable, to approaches focused on:
  - a placing the wellbeing of people at the heart of services;
  - b giving people a strong voice and real control over the decisions that affect them;
  - c encouraging new models of service by mobilising community resources and promoting social enterprises and co-operatives;
  - d prioritising preventative services to avoid or delay the need for care;
  - e making systems easier and more accessible by reducing complexity and streamlining assessment and care planning arrangements;
  - f integrated working across professional and organisational boundaries to make the best use of resources and deliver the best outcomes; and
  - g strengthening safeguarding arrangements.

### Direct Payments can improve people's choice, control and independence

- 2 Direct Payments can help meet an individual's eligible need for care and support, or a carer's need for support. They are an alternative to local-authority-arranged care or support. The aim of Direct Payments is to give people more choice, greater flexibility and more control over the support they get. Direct Payments can be provided to people of all ages if they have been assessed as needing social care services to support them with daily living, consent to receiving a Direct Payment and they (or their representative) can manage the payment.



- 3 Many people use their Direct Payments to fund a Personal Assistant to help them with various tasks. In these instances, Direct Payment recipients become employers and must meet the associated legal obligations. Some choose to use a care agency instead. Local authorities are required to provide support and assistance to people to manage their Direct Payment and employment responsibilities. This is often done through a local-authority-commissioned support service.
- 4 Direct Payments can be used to purchase a wide variety of services or equipment if these contribute to meeting an individual's agreed wellbeing outcomes. Payments can be made for day-to-day things such as dressing, cooking, driving and support to facilitate discharge from hospital. They can also be used for social activities – visiting friends, evening classes and gardening – as well as for assistance to access training and employment. The main benefit of Direct Payments is their adaptability. Service users can use them to organise their care in a whole range of new and more effective ways and local authorities are encouraged to explore innovative and creative options for meeting people's needs.
- 5 This report looks at how local authorities provide Direct Payment services to adults, examining their impact and value for money. **Appendix 1** provides more detail about our audit approach and methods. **Exhibit 1** sets out our characteristics of a good approach to Direct Payments.

## Exhibit 1: the characteristics of a local authority that effectively encourages, manages and supports people to use Direct Payments



### Local authorities who are good at **promoting** Direct Payments

Have simple and concise public information that is made available in a wide range of mediums and has been tested to ensure it is effective and tells people what they need to know

Offers and encourages people to use independent advocacy to help people make informed choices

Uses the 'What Matters' conversation in the assessment process to explain Direct Payments

Direct Payments are promoted as an option at least equally with other choices



### Local authorities who are **managing** Direct Payments effectively

Help people to access and use Personal Assistants

'Demystify' what Direct Payments are and provide sufficient support to assure people on employment requirements, liabilities and fallback processes. Bureaucracy is kept to a minimum

Clearly set out what Direct Payments can be used for giving examples of the type of support that is available and, wherever possible, encourage innovation

Have regular and ongoing contact and provide support and information to adults using Direct Payments to clarify responsibilities and ensure people remain safe

Work to shape the 'market' and by improving access to Personal Assistants, encouraging more providers, managing costs and encouraging the pooling of budgets

Jointly agree with NHS bodies on how best to address the needs of clients who use Direct Payments and Continuing Healthcare so they are not disadvantaged



### Local authorities who are **delivering** positive outcomes for people using Direct Payments

Evidencing that people's wellbeing is maintained or improving as a result of Direct Payments

Have a comprehensive system for monitoring and evaluating all aspects of Direct Payments

Involve and value input from all stakeholders/partners in evaluating the impact of services

Compare and benchmark individual and collective performance with others and use the findings of evaluation to shape current plans and future approaches

Know what works and whether the approach of the authority is delivering the aspirations of the Act



## Key messages

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- 6 Our overall conclusion is that **Direct Payments support people's independence and are highly valued by service users and carers, but inconsistencies in the way they are promoted and managed by local authorities mean services are not always equitable and it is difficult to assess overall value for money.**
- 7 People are not consistently encouraged to take up Direct Payments. A responsive person-centred approach is essential in helping people take up Direct Payments, but current engagement and involvement by local authorities is inconsistent. While the value of Direct Payments is recognised by senior managers, social care staff do not always display confidence in promoting their use with service users and carers. Direct Payments are valued by service users and carers, but this is not always translating into broadening their use.
- 8 Managing and supporting people to use Direct Payments varies widely and service users and carers are receiving different standards of service. Personal Assistants are essential to people making the most of Direct Payments, but service users often struggle to recruit them. People have mixed views on the support they receive from their local authority after they have taken up Direct Payments. The interface between use of NHS continuing healthcare and social care on access to Direct Payments also remains a problem.
- 9 Despite some significant challenges, local authorities ensured service users and carers were mostly supported during the pandemic, but a significant number of service users and carers we surveyed experienced difficulties. While the numbers using Direct Payments slightly grew before the pandemic, local authorities continue to use them differently across Wales. There is a need to address this 'post-code lottery' to ensure people are being treated fairly and equally.

- 10 Direct Payments are seen by recipients and care providers alike as making an important contribution to people’s wellbeing and independence. However, it is difficult to assess the overall value for money of Direct Payments in their own right, or in comparison with other forms of social care, because systems for managing and evaluating performance are inadequate.



Direct Payments can make an important contribution to meeting an individual’s care and support needs and they are highly valued by service users and carers. The Welsh Government and local authorities need to work together to address weakness in the management and evaluation of performance, which currently means it is not possible to judge how well local authorities are performing and whether Direct Payments represent value for money compared with other forms of social care. There is also a need to address the ‘post-code lottery’ where local authorities are using them differently across Wales, to ensure people are treated fairly and equally.

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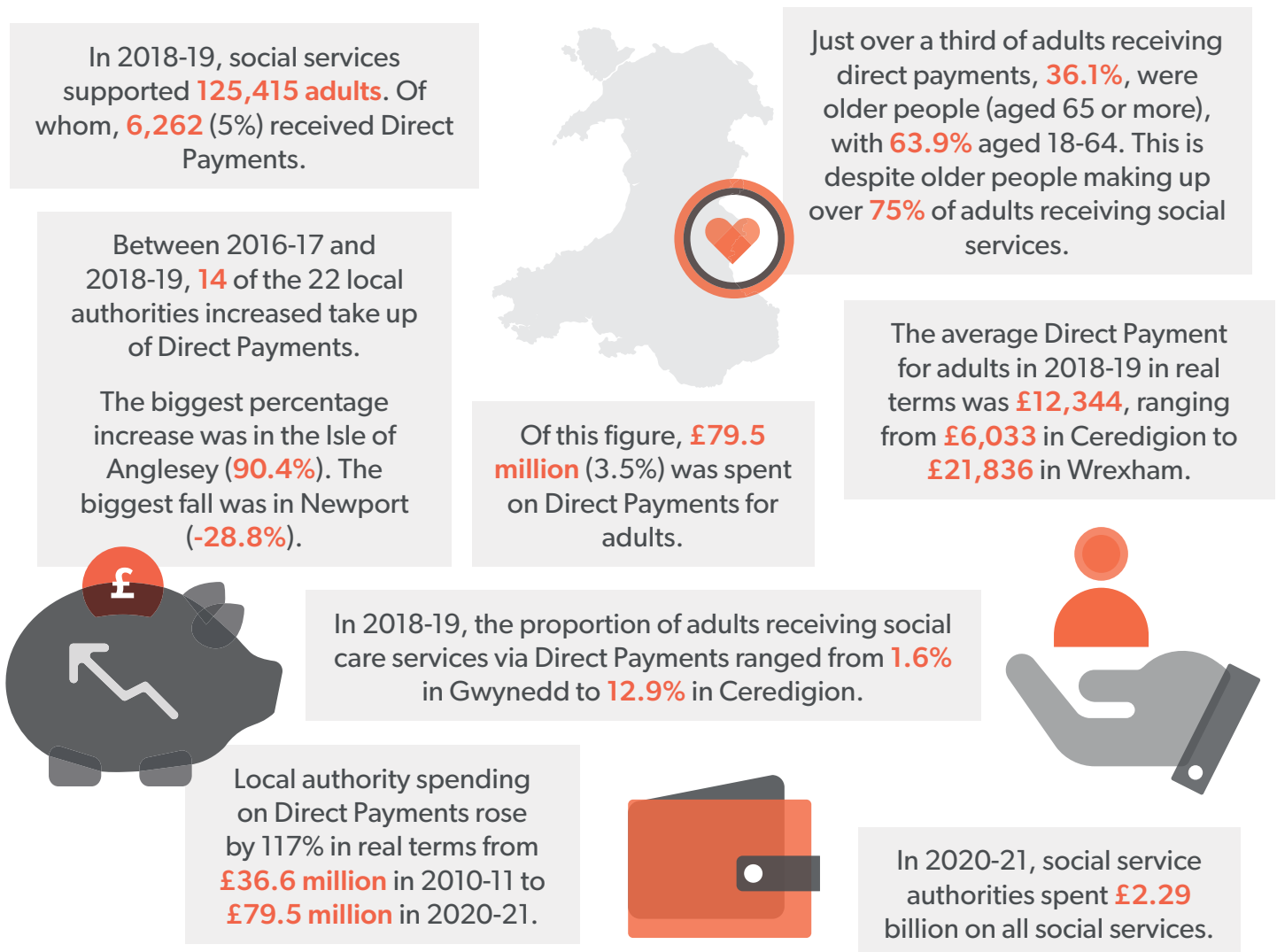
**Adrian Crompton**

Auditor General for Wales



# Key facts

11 The infographic below summarises key facts from our report about Direct Payments. Following the Welsh Government’s decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been reported nationally since 2018-19.



12 Figures relating to the numbers of people receiving social services support and Direct Payments for 2018-19, including the average value of Direct Payments, do not include Caerphilly due to technical issues with their ICT systems.

Source: Audit Wales analysis of StatsWales data

# Recommendations

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- 13 Our recommendations are set out below. We expect each local authority to consider the findings of this review and our recommendations, and that its governance and audit committee receives this report and monitors its response to our recommendations in a timely way.

## Exhibit 2: recommendations

### Recommendations

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In **Part 1** we set out the how local authorities promote and raise awareness of Direct Payments (**paragraphs 1.2 to 1.7**). To ensure people know about Direct Payments, how to access these services and are encouraged to take them up, we recommend that local authorities:

- R1** Review public information in discussion with service users and carers to ensure it is clear, concise and fully explains what they need to know about Direct Payments.
- R2** Undertake additional promotional work to encourage take up of Direct Payments.
- R3** Ensure advocacy services are considered at the first point of contact to provide independent advice on Direct Payments to service users and carers.

In **Part 1** we set out the importance of the ‘What Matters’ conversation and the importance of social workers in helping people make informed choices on Direct Payments (**paragraphs 1.8 to 1.13**). To ensure Direct Payments are consistently offered we recommend that local authorities:

- R4** Ensure information about Direct Payments is available at the front door to social care and are included in the initial discussion on the available care options for service users and carers.
- R5** Provide training to social workers on Direct Payments to ensure they fully understand their potential and feel confident promoting it to service users and carers.

## Recommendations

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In **Part 2** we highlight the central role of Personal Assistants in helping service users and carers to get the best positive outcomes from their use of Direct Payments (**paragraphs 2.2 to 2.7**). To ensure there is sufficient Personal Assistant capacity, we recommend that local authorities through the All-Wales local authority Direct Payments Forum and with Social Care Wales:

**R6** Work together to develop a joint Recruitment and Retention Plan for Personal Assistants.

In **Part 2** we highlight that while local authorities recognise the value of Direct Payments in supporting independence and improving wellbeing, the differences in approach, standards and the amount paid out means that people with similar needs receive different levels of service (**paragraphs 2.9 to 2.18 and 2.23 to 2.27**). To ensure services are provided equitably and fairly we recommend that local authorities and the Welsh Government:

**R7** Clarify policy expectations in plain accessible language and set out:

- what Direct Payments can pay for;
- how application and assessment processes, timescales and review processes work;
- how monitoring individual payments and the paperwork required to verify payments will work;
- how unused monies are to be treated and whether they can be banked; and
- how to administer and manage pooled budgets.

Public information should be reviewed regularly (at least every two years) to ensure they are working effectively and remain relevant.

## Recommendations

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In **Part 2** we highlight difficulties in the interface between NHS continuing healthcare and Direct Payments and note that current practices do not support service users and carers to exercise voice, choice and control (**paragraphs 2.28 to 2.31**). We recommend that the Welsh Government:

**R8** Ensure that people who receive both NHS continuing healthcare and Direct Payments have greater voice, choice and control in decision making.

In **Part 3** we note that having the right performance indicators and regularly reporting performance against these are important for local authorities to manage operational performance, identify areas of improvement and evaluate the positive impact of services (**paragraphs 3.8 to 3.10**). To effectively manage performance and be able to judge the impact and value for money of Direct Payments, we recommend that local authorities and the Welsh Government:

**R9** Work together to establish a system to fully evaluate Direct Payments that captures all elements of the process – information, promotion, assessing, managing and evaluating impact on wellbeing and independence.

**R10** Annually publish performance information for all elements of Direct Payments to enable a whole system view of delivery and impact to support improvement.







**People are not  
consistently  
supported to take  
up Direct Payments**

---

**01**

1.1 In this part of the report, we consider how local authorities encourage people to use Direct Payments. We review local authorities' public information, how they promote take up of Direct Payments and the importance of the 'What Matters' conversation.

### Local authorities who are good at promoting Direct Payments

-  Have simple and concise public information that is made available in wide range of mediums and has been tested to ensure it is effective and tells people what they need to know
-  Offers and encourages people to use independent advocacy to help people make informed choices
-  Uses the 'What Matters' conversation in the assessment process to explain Direct Payments
-  Direct Payments are promoted as an option at least equally with other choices



## A responsive person-centred approach is essential in helping people choose Direct Payments, but current engagement and involvement by local authorities are inconsistent

### Good quality and accessible information, support people to take greater control of their care and support and make well-informed choices

- 1.2 Information and advice help to promote people's wellbeing and are vital components of preventing or delaying people's need for care and support. Our focus group and survey work with the All-Wales Direct Payments Forum<sup>1</sup> found that all local authorities undertake some form of activity to promote public awareness and understanding of Direct Payments, but the options used vary. Local authorities focus on mediums such as their website, providing bilingual leaflets and promotional activity with established service user, carer groups and partnership forums. Less priority is given to using social media (for example, Facebook or Twitter) and proactive campaigns using press articles, adverts and local authority newsletters. Overall, only 3% of recipients responding to our survey<sup>2</sup> first found out about Direct Payments through published information (for example, online or a leaflet).
- 1.3 Overwhelmingly, service users report relying on a conversation with a local authority officer to find out about Direct Payments. Almost all (96%) of service users who responded to our survey said that they first found out about Direct Payments following a discussion with a local authority officer – most frequently a social work professional. Around half of carers we surveyed said that they first found out about Direct Payments following a discussion with a local authority officer. Carers are more likely than service users to find out about Direct Payments in discussion with other bodies (ie not their local authority), a care and support agency, NHS or third sector body for instance. These findings highlight that local authorities need to do more to ensure carers are better supported to fully access and use services, an issue flagged in recent research by [Carers Wales](#)<sup>3</sup>.

1 The All-Wales Direct Payments Forum is made up of officers from all Welsh local authorities with responsibility for Direct Payments within their respective organisations.

2 Our survey covers both service users and carers who receive Direct Payments. We report information at three levels. Where we say Direct Payment recipients, we mean both carers and service users; and where we specifically reference either 'service users' or 'carers' the findings of the survey are specific to these distinct groups of people who receive Direct Payments. In **Appendix 1** we set out our survey methodology in more detail.

3 Carers Wales is part of Carers UK and campaigns on behalf of carers. They recently reported that 40% of carers in Wales say they are unaware of services and sources of support for carers in their local community – [State of Caring 2021: Wales Briefing, Carers Wales, December 2021](#).

- 1.4 Direct Payments Forum members acknowledge that local authorities need to do more promotional work with some partners, in particular health and independent providers, to ensure Direct Payments are adequately promoted in all routes into social care. Roughly a quarter of local authority officers with responsibility for Direct Payments believe they have sufficient capacity to effectively promote Direct Payments and are investing resources to encourage take up. Less than a quarter of local authority officers consider themselves good at promoting awareness and encouraging take up of Direct Payments among hard-to-reach groups such as minority ethnic groups, Gypsies, Roma and Travellers and LGBTQ people.
- 1.5 The best local authorities are innovatively and actively promoting Direct Payments. For example, Isle of Anglesey Council uses a wide range of promotional materials to improve awareness for service users but also local authority staff and care providers. This includes YouTube videos of recipients talking about the positive experience and benefits of Direct Payments and roadshows to promote the benefits of Direct Payments. By proactively encouraging people to choose Direct Payments, the local authority saw the numbers in receipt of Direct Payments rise by 90.4% between 2016-17 and 2018-19.
- 1.6 Regarding the quality of the information and advice provided, three quarters of Direct Payments service users told us this was good but only half of carers in receipt of Direct Payments agreed this was the case. Only half of local authorities have tested or sought feedback on the quality of Direct Payments public information to ensure it is easy to understand, and only around a third of those have involved service users and carers in testing the quality of the information. Several service users who responded to our survey noted that they did not always find the public information they had been provided helpful and too often it reads as if it is written for the 'professional' not the 'client'. Notwithstanding, the overwhelming majority of people (98%) were able to access information about Direct Payments in their preferred language, and 4% chose to use Welsh.
- 1.7 Paragraph 37 of the [Social Services and Well-being \(Wales\) Act 2014 Part 10 Code of Practice \(Advocacy\)](#) notes that 'Advocacy services are fundamental to supporting people to engage actively and participate in development of their own well-being outcomes.' Paragraph 41 of the Code of Practice also says that independent professional advocacy must be made available from 'the moment of first contact'. We found that just over half of All-Wales Direct Payments Forum members believe that their local authority has adequate advocacy services in place to provide independent advice to service users and carers at this time.

## The 'What Matters' conversation

- 1.8 Unlike many community-based, preventative services<sup>4</sup> that people are often signposted to when seeking social care help, service users must be assessed as having 'eligible'<sup>5</sup> needs to receive Direct Payments. When a local authority considers if someone has eligible needs, it looks at what causes that need for care and support; whether their needs affect their ability to do certain things; whether someone has a carer or access to community support that can meet their needs; and whether they are able to achieve a personal outcome without help from the local authority.
- 1.9 Local authorities are required to assess and determine whether someone is eligible for social care following an established process of which the 'What Matters' conversation is a critical element. **Appendix 2** sets this process out in more detail.

### The 'What Matters' conversation

A 'What Matters' conversation is a targeted discussion to establish a person's situation, their current wellbeing, what can be done to support them and what can be done to promote their wellbeing and resilience for the better. It is not an assessment in itself: it is a way of carrying out the assessment by having the right type of conversation to identify with the individual:

- how they want to live their life;
- what might be preventing that; and
- what support might be required to overcome those barriers.

Knowing what matters can play a huge part in helping to make someone's life enjoyable and worthwhile.



4 There is no agreed definition of what constitutes a preventative service. They can range from relatively formal intermediate care services provided by health and social-care professionals to interventions that could include befriending schemes, the fitting of a handrail or help with shopping, to non-health or social-care services.

5 The Welsh Government is working with ADSS Cymru to produce a [national assessment and eligibility tool](#).

- 1.10 Importantly, those seeking help and those assessing what is needed must work as equal partners in identifying issues and solutions in their 'What Matters' discussion. Ultimately, it requires social work professionals to let go of some control when assessing what is best for people. Direct Payments takes this ethos a step further – not only do individuals have an equal voice in shaping their care and support outcomes during the assessment, but they can also go on to take full control over their own care and support. The extent to which professionals feel able to let go shapes people's experience of their assessment, and in many cases the likelihood of them being offered and encouraged to use Direct Payments.
- 1.11 Overall, recipients of Direct Payments that we surveyed are positive about local authority assessment processes; the time spent by local authority staff clarifying employer responsibilities; and the 'What Matters' conversation. For instance:
- a 83% felt that what was agreed during the assessment was right for them;
  - b of the 83% that felt their assessment was right for them, the vast majority (88%) agreed that the subsequent care and support plan accurately set out what was agreed during their assessment;
  - c 76% felt encouraged to tell their local authority about the things that mattered to them, and felt listened to during their needs assessment;
  - d 75% discussed their ability to manage Direct Payments before taking them up; and
  - e 74% felt that they had a clear understanding of their legal obligation as an employer when taking up a Direct Payment.
- 1.12 Despite this, many local authority officers we spoke to acknowledge that they do not always have the capacity to work co-productively and identify creative solutions using Direct Payments. People are often in crisis when they contact social services and in practical terms, delivering early intervention, prevention and co-produced approaches requires time. Effective early intervention works to prevent problems occurring, or to tackle them head on when they do, and before problems get worse. It is important therefore for local authorities to consider the potential impact and value of Direct Payments as early as possible in the information, advice and assistance process to enable meaningful co-production and ensure all possible solutions that can help improve someone's wellbeing are considered.

1.13 We conclude that there is more for local authorities to do to promote awareness and understanding of Direct Payments amongst service users. Addressing this requires local authorities to promote opportunities for early intervention by raising awareness of the front door to adult social care, and ensuring adequate consideration of the potential for Direct Payments at the Information, Advice and Assistance (IAA services) stage. Local authorities are yet to strike this balance, something that echoes our recent review of IAA services<sup>6</sup>.

### **While the value of Direct Payments is recognised by senior managers, social care staff do not always display confidence in promoting their use with service users and carers**

1.14 Strong leadership on Direct Payments is key to making progress and it is important that senior managers set the tone from the top. Through our engagement with local authority staff and representative bodies we found this to be key to creating the right conditions and culture for social workers to feel empowered to promote and encourage take up of Direct Payments.

1.15 We found that roughly three-quarters of Direct Payment managers with responsibility for Direct Payments believe their authority has an open and encouraging culture that promotes making best use of Direct Payments. In addition, a similar number believe that their local authority Corporate Management Team members understand the benefits of Direct Payments, and two-thirds that senior leaders actively encourage increasing take up. However, only a quarter of Direct Payment managers believe that councillors understand the benefits of Direct Payments. Half did not know.

1.16 Most local authorities have information and workflow management systems in place (for example the Welsh Community Care Information System<sup>7</sup>) which include prompts for social workers to offer Direct Payments as part of what matters assessments, or to confirm that they have offered this. However, officers we interviewed highlight the limitations in the assurance that this data provides because the likelihood of service users opting to use Direct Payments is mostly dependent on the tone, sincerity and genuineness of the offer and discussion with their social worker. To do this, social workers need to feel both confident in being able to promote the benefits of Direct Payments and empowered to make this offer. To make this work requires effective leadership and a whole-system approach.

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6 Auditor General for Wales, [The front door to adult social care](#), September 2019.

7 We reported on the rollout of the [Welsh Community Care Information System](#) in October 2020, including commentary on the performance of the system.

- 1.17 The overwhelming majority of All-Wales Direct Payments Forum members told us that they continue to promote and provide training and information to social workers, care managers and frontline staff to support take up and roll out. Most also believed that social workers understand what Direct Payments can be used for, although officers we interviewed nevertheless identified some concerns.
- 1.18 Only half of Direct Payments Forum members think that their local authority encourages people to take up Direct Payments. Direct Payment managers expressed concerns that, from their experience, too often social workers lack confidence in discussing Direct Payments as an option, partly because of their inherent flexibility and potentially wider use compared to other forms of social care. They also noted that, increasingly, Direct Payments are seen as potentially placing other traditional care services at risk if their take up increases and demand for other services falls off. Just over half of Direct Payment managers believe that their local authority treats Direct Payments as favourably as other social care services and options when developing care plans.



**Managing and supporting people to use Direct Payments varies widely with service users and carers receiving different standards of service**

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2.1 In this section of the report, we look at opportunities to streamline the management and administration of Direct Payments. We look at the change in take up of Direct Payments in Wales and comparison with England. We consider how local authorities support people to make the best use of Direct Payments.

### Local authorities who are managing Direct Payments effectively

	Help people to access and use Personal Assistants
	'Demystify' what Direct Payments are and provide sufficient support to assure people on employment requirements, liabilities and fallback processes. Bureaucracy is kept to a minimum
	Clearly set out what Direct Payments can be used for giving examples of the type of support that is available and, wherever possible, encourage innovation
	Have regular and ongoing contact and provide support and information to adults using Direct Payments to clarify responsibilities and ensure people remain safe
	Work to shape the 'market' and by improving access to Personal Assistants, encouraging more providers, managing costs and encouraging the pooling of budgets
	Jointly agree with NHS bodies on how best to address the needs of clients who use Direct Payments and Continuing Healthcare so they are not disadvantaged



## Personal Assistants are essential to people making the most of Direct Payments, but service users struggle to recruit them

2.2 While some people will need additional support to manage Direct Payments, this should not be a barrier to encouraging people to use them. Local authorities must maintain a support service and make it available to those who need it – for example, help with employment responsibilities, payroll and reporting processes. Often this support is provided via a Personal Assistant.

### Personal Assistants

Personal Assistants work directly with one or more individuals to help them with various aspects of their daily life and to help them live as independently as possible.

They are employed directly by an individual who is managing and paying for their own care through a Direct Payment or personal budget.

Personal Assistants usually support individuals in their own home.

People can be employed directly by one employer or work for a number of different people.

The role can include:

- organising and supporting individuals with their social and physical activities;
- booking and going with individuals to appointments;
- helping individuals to get to work, college or university;
- helping with personal care such as showering and dressing (although not all Personal Assistant roles involve personal care);
- supporting with tasks around the house such as shopping, cleaning and cooking;
- monitoring their health, for example, measuring body temperatures or administering medication; and/or
- managing a team of Personal Assistants if you are in a senior Personal Assistant role.



- 2.3 Employing a Personal Assistant cannot be entered into lightly and people pursuing this option need to be fully aware of their responsibilities. For instance, an employer must provide staff they employ with written information, including start date, hours of work, remuneration (which must meet the National Minimum Wage), place of work and a job title, or brief description of the job. Employers also need to set out whether employment is fixed term or permanent, the employee's statutory entitlement to sick pay, annual leave, pension scheme provision and notice requirements. Although local authorities expect people to take out employer's liability insurance and often provide advice about this, it is down to the individual to ensure they have fully considered the contractual arrangements with the care staff they employ.
- 2.4 People we surveyed noted differences between local authorities regarding their eligibility criteria for Direct Payments, the number of hours of personal assistance that individuals are assessed as needing, and the hourly rates paid. Our research shows that there is variation between hourly rates of pay for Personal Assistants across local authorities, with rates ranging from £8.72 to £12.94 per hour being reported in early 2021 – see **Appendix 4** for more detail.
- 2.5 The importance of Personal Assistants in supporting people to make the best use of Direct Payments cannot be overestimated. One person responding to our survey stated that: 'Direct Payments have given me the opportunity to employ my personal assistant who has been with me for 10 years now. This continuity with my personal assistant has empowered me, improved my self-confidence and given me the freedom to make my own decisions and choice with my personal assistant's support.' While another noted that: 'I think the whole system works around Direct Payments, you get to pick the personal assistants yourself rather than getting strangers thrust upon you.' Comments such as these highlight the value placed on Personal Assistants and the important role they play.
- 2.6 Notwithstanding, several people responding to our survey noted difficulties in both attracting and retaining Personal Assistants. For instance, one respondent stated that: 'there have been periods when we have been unable to find a suitable personal assistant, so I have been unable to use the Direct Payments. At one point this lasted over a year.' Another noted a 'major problem is being able to recruit Personal Assistants' and another 'issues with a Personal Assistant meant I've had to readvertise the job so as a result I haven't yet used my Direct Payment'.

2.7 Direct Payment managers we spoke to also highlighted the ongoing challenge of attracting and retaining Personal Assistants. Ongoing workforce pressures have meant that adult social care employers and providers have needed to adopt a range of strategies to help retain and support their workforce and these approaches need to be extended to Personal Assistants. The Care Provider Alliance, Association of Directors of Adult Social Services and Local Government Association in England have brought together approaches taken by organisations to reduce staff turnover and help retain people in the care and health workforce, which are of use for local authorities to consider in encouraging more Personal Assistants<sup>8</sup>.

### **People have mixed views on the support they receive from their local authority after they have taken up Direct Payments**

2.8 Direct Payments must be embraced as a core component of delivering support – not as an exceptional option – so that the positive impact can be realised. There will be initial costs associated with setting up or commissioning an effective Direct Payment Support Service and training staff in Direct Payment processes. But once fully operational, Direct Payments should at least be cost neutral and should realise savings from, for instance, reduced administration, review and management of providers. It is important for local authorities to therefore focus on setting up the right support service to both encourage take up and to realise the potential for cost savings. Ultimately, the Direct Payment must be enough to cover the reasonable cost of buying services that the local authority has a duty to provide.

### **Some people find the administration of Direct Payments challenging**

2.9 It is important that local authorities provide adequate support and have regular contact with service users and carers. Local authorities should be proactive in organising these discussions to make sure the care and support plan remains right, is legal, affordable and effective in meeting wellbeing outcomes.

- 2.10 Overall, 78% of people we surveyed said they receive good quality support to help them manage their Direct Payment. However, while 55% say that they can cope with the administration side of Direct Payments, finding the level of paperwork reasonable and manageable, 13% feel it is overwhelming. The other third of respondents stated that they are not required to keep any paperwork (23%) or their local authority rarely asks for paperwork (10%). Carers are generally more dissatisfied than service users with the quality of the Direct Payments services their local authority provides to help meet their needs. Our focus group work with All-Wales Direct Payments Forum members found that just over half of local authorities have sought to streamline their systems for administering Direct Payments to reduce the burden on clients, Personal Assistants and care providers.
- 2.11 Just over a third of care and support providers we surveyed felt that from their experience local authorities did not provide good support to help people manage their Direct Payments. There is also some concern from providers that people who may struggle to manage a Direct Payment are being directed to select this option simply because of pressures on domiciliary care services and reductions in the availability of other care services. Only half of Direct Payment managers stated that their local authority has an up-to-date directory of approved service providers to help people purchase support.

**People in areas where support services to help manage Direct Payments are directly provided by local authorities have a more positive overall experience than those using a 'commissioned' service**

- 2.12 Many local authorities commission others to provide support services for Direct Payments, but according to feedback from members of the Direct Payments Forum, a growing number of councils are in the process of reviewing or considering bringing these services back in house, primarily to improve service quality, to be able to better respond to service user and carer needs, and reduce administration costs. As of January 2021, seven<sup>9</sup> of the 22 local authorities had in-house services.

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9 The seven councils with in-house provision at the time of our review were: Blaenau Gwent County Borough Council, Caerphilly County Borough Council, Flintshire County Council, Monmouthshire County Council, Neath Port Talbot Council, Powys County Council and Torfaen County Borough Council.

2.13 Our survey of people using Direct Payments sought their views regarding a number of factors which we consider to be indicators of service accessibility and quality. To establish how different service configurations impact on accessibility, quality and user satisfaction, we analysed our survey data by comparing the responses from Direct Payments recipients in areas where the local authority delivers its support function in-house, with those where the service is commissioned externally and provided by third parties. **Exhibit 3** shows that survey responses from those in local authority areas with in-house services have higher levels of positive responses against a number of key metrics.



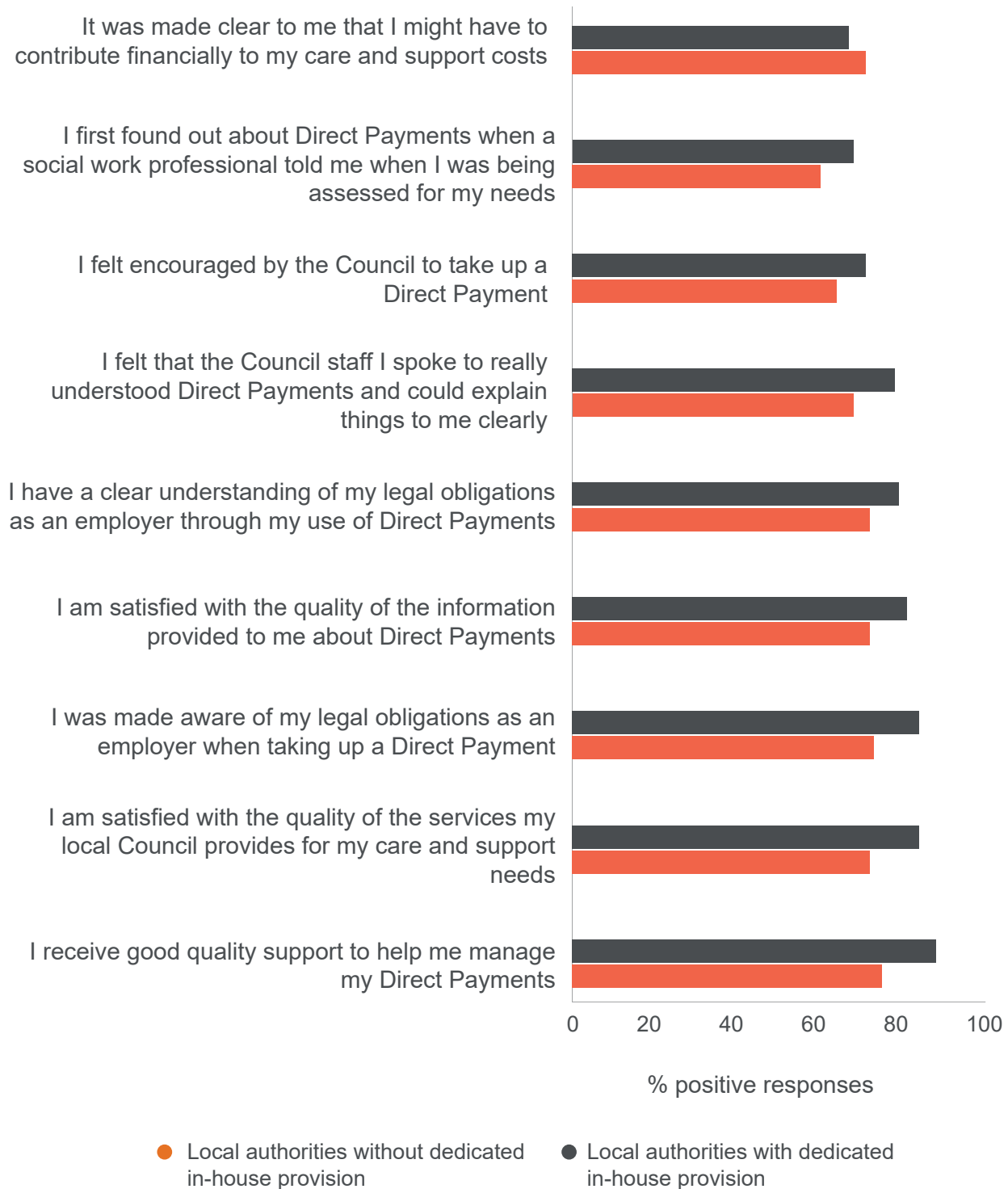
**I'm grateful for the support and payments. I don't have to deal with the money. Going out with someone other than family gives me independence that I've longed for**

Source: Audit Wales, Survey of people receiving Direct Payments, September 2021.



**Exhibit 3: Direct Payment recipients’ views about services, by type of administrative support service (in-house or commissioned)**

Overall, people living in areas where support services are provided directly by local authorities are more positive about the service they receive than those provided by a third party.



2.14 Our focus group work with the All-Wales Direct Payments Forum highlighted that, in addition to supporting external clients, in-house Direct Payment teams have greater ability to work flexibly and focus on providing training and expert support to front line social workers who offer and administer Direct Payments. Given the key barriers we highlight in accessing Direct Payments (see **paragraph 1.16**) and coupled with our survey findings, this support is clearly important and is making an impact, leading to greater satisfaction with information about Direct Payments, a greater perception of social workers' understanding, and service users feeling encouraged to take up a Direct Payment.

**Local authorities mostly ensured people were supported during the pandemic, but a significant number of service users and carers we surveyed had no contact during the initial lockdown and restrictions**

2.15 The pandemic created many challenges for social care services and local authorities were forced to respond creatively to ensure vulnerable people were safe and supported. As with other frontline staff working in NHS or care settings, the pandemic has also had a huge impact on people providing care services organised under Direct Payments, especially Personal Assistants.

2.16 We found that where a service was interrupted or could not continue to be provided due to COVID-19, most local authorities arranged alternative provision. Local authorities also made contact to check on individuals' welfare and to ensure services continued to be provided. Direct Payment managers we spoke to however, also noted some difficulties in maintaining services. In particular, the lack of availability of Personal Assistants and/or care staff when people were self-isolating and unable to visit and support service users.

2.17 Officers we spoke to also highlighted their local authority's positive work to ensure social care staff were supported and equipped to work from home. They described how senior leaders acted proactively, keeping staff informed and up to date with changes in services and work priorities, and responded to challenges as they arose quickly and efficiently. For example, relocating staff to fill gaps in services and flexing information gathering systems to reduce the burden of administration on Personal Assistants and care providers.

2.18 57% of people receiving Direct Payments we surveyed said that their local authority did not help source Personal Protective Equipment (PPE) for their care or support provider. Service users and carers we spoke to noted that some local authorities provided PPE free of charge, some reimbursed individuals who purchased their own, but others expected service users and/or their personal assistant to purchase PPE themselves and meet the cost from their Direct Payment. In April 2021, we reported that some frontline health and social care staff experienced shortages of PPE during the pandemic<sup>10</sup>. Some people using Direct Payments experienced similar if not greater difficulties trying to source PPE on an individual level. Some service users and carers we spoke to noted that on occasion the lack of PPE and inability to source this directly resulted in services being suspended. In addition, 40% of the Direct Payments recipients we surveyed said they had received no contact from their local authority specifically to check if they had any problems resulting from the lockdown and restrictions.

### **While the number of people receiving Direct Payments has grown slightly in recent years, local authorities continue to use them differently across Wales**

#### **Just under two-thirds of local authorities increased take up of Direct Payments between 2016-17 and 2018-19, but only 5% of all adults in receipt of social care services were receiving them**

2.19 The most recent data on Direct Payments use published in 2018-19 shows that 125,415 adults were in receipt of social care services in Wales<sup>11</sup>. Of these, 6,262 (5%) received Direct Payments. The proportion of social care services provided via Direct Payments ranged from 1.6% of clients in Gwynedd to 12.9% in Ceredigion. **Appendix 3** provides more information. This data for 2018-19 does not include Caerphilly.

2.20 Just over a third of those receiving Direct Payments (36.1%) are older people (aged 65 or more). This is despite this particular age group making up over 75% of the overall number of adults receiving social services. The bulk of those receiving Direct Payments, 63.9%, are aged between 18 and 64.

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10 [Procuring and Supplying PPE for the COVID-19 Pandemic, Report of the Auditor General for Wales, April 2021](#)

11 In response to the pandemic, the Welsh Government suspended collection and reporting of social services performance data in 2019-20 and the most up-to-date data is 2018-19.



2.21 Between 2016-17 and 2018-19, there had been a 5.2% increase in the numbers receiving Direct Payments with 14 of the 22 local authorities seeing a growth in take up – **Exhibit 4**. The biggest percentage rise, of 90.4%, was in the Isle of Anglesey, although the proportion of adults receiving social care services via Direct Payments in 2018-19 was still below the Wales average. The biggest fall was in Newport, -28.8%.

**Exhibit 4: the number of adults receiving Direct Payments by local authority in 2016-17 and 2018-19 and change in take up over the period**

Local authority	2016-17	2018-19	% Change
Isle of Anglesey	73	139	90.4%
Gwynedd	158	137	-13.3%
Conwy	221	239	8.1%
Denbighshire	106	177	66.9%
Flintshire	403	437	8.4%
Wrexham	196	272	38.7%
Powys	551	504	-8.5%
Ceredigion	199	336	68.8%
Pembrokeshire	293	331	12.9%
Carmarthenshire	448	538	20.0%
Swansea	521	517	-0.8%
Neath Port Talbot	341	433	26.9%
Bridgend	177	232	31.1%
Vale of Glamorgan	378	271	-28.3%
Rhondda Cynon Taf	372	306	-17.7%
Merthyr Tydfil	95	102	7.4%
Caerphilly	114	-	-
Blaenau Gwent	145	149	2.3%
Torfaen	131	130	-0.8%
Monmouthshire	154	131	-14.9%
Newport	132	94	-28.8%
Cardiff	746	787	5.5%
<b>TOTAL</b>	<b>5,954</b>	<b>6,262</b>	<b>5.2%</b>

Note: Caerphilly was unable to provide data for 2018-19, due to technical issues with their ICT systems.

Source: StatsWales, [CARE0118: Adults receiving services by local authority](#)

2.22 The use of Direct Payments in Wales still lags behind England. Data published by NHS Digital Services<sup>12</sup> shows that in 2020-21, 26.6% of people who receive social care services including 75.3% of carers in England receive Direct Payments. Performance ranges from 19.8% of all service users in the north-east of England to 38.3% in the East Midlands.

### **Direct Payments are used differently across Wales and local authorities have different approaches in how they deal with unused funds**

- 2.23 How Direct Payments are used and what they pay for varies. Through our discussion with Direct Payment Forum members we found that some authorities have few, if any, restrictions and encourage people to use the money flexibly; paying for holiday accommodation, leisure activities, trips abroad and mobile phones. In comparison, other local authorities only allow Direct Payments to pay for practical help directly associated with an individual's personal care and define what Direct Payments can and cannot pay for.
- 2.24 Direct Payment service users and carers we surveyed raised concerns with this situation. One user of Direct Payments noted that: 'It would be very helpful to have a written list of what Direct Payments can actually be used for.' Another survey respondent summed up their experience as follows: 'The council does not make it clear how to spend the money. You still have to continually ask questions and the people in the council don't know the answers. The system is very slow and 'drawn out'. They are not flexible.'
- 2.25 Those who have similar support needs can also pool their Direct Payments to organise joint activities or services by taking some or all of their Direct Payment and adding these funds together to jointly purchase services<sup>13</sup>. This enables people to share the cost of activities, have the opportunity to spend more time with other people and get better value through increasing their spending power. However, we found that pooling budgets is very limited. And past approaches in some local authorities ended relatively quickly, despite the best endeavours of staff we interviewed.
- 2.26 Welsh Government guidance<sup>14</sup> requires local authorities to work flexibly, allowing Direct Payments recipients to be able to 'bank' any unused payment to use as and when they need to. However, in reality the approach taken by local authorities varies and some local authorities seek to recover unspent money. The findings from our survey of recipients (**Exhibit 5**) are echoed in the feedback we received from local authority staff where we found wide differences in approach.

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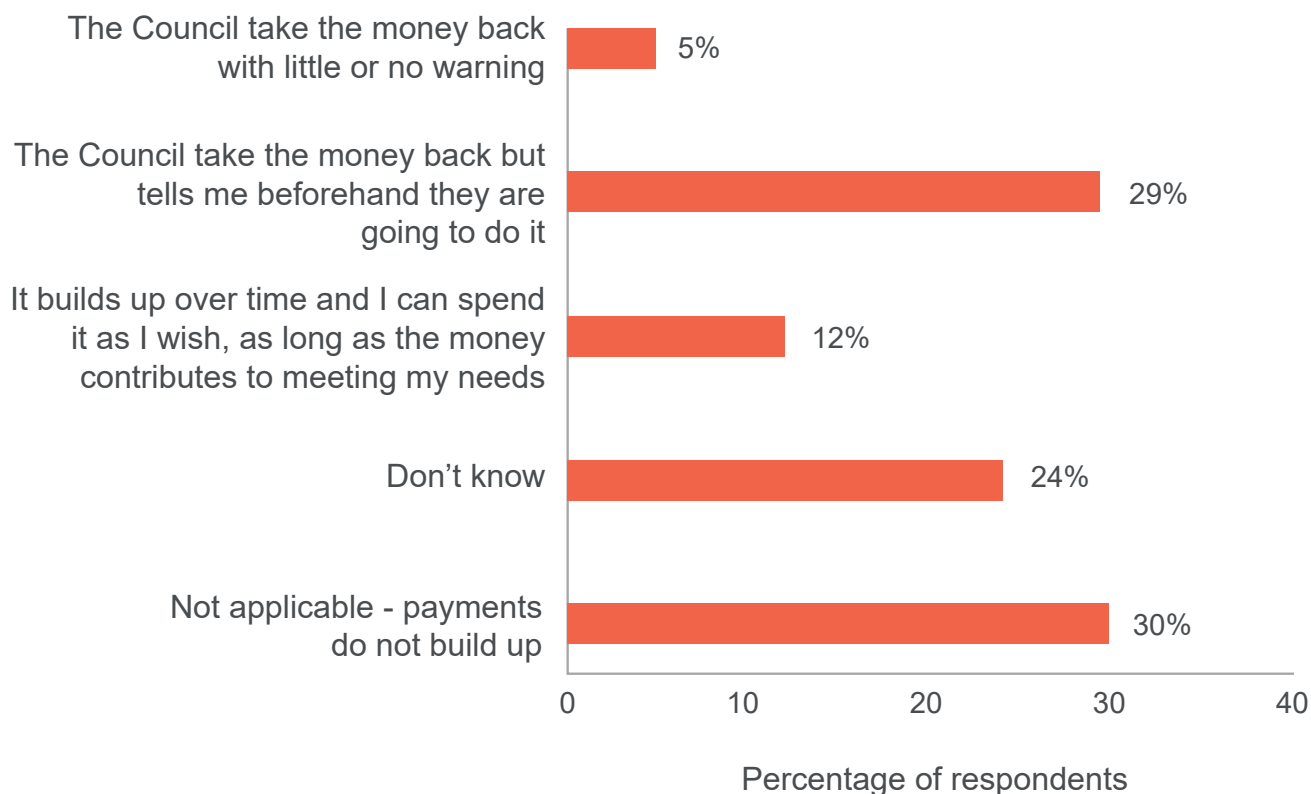
12 NHS Digital Services, [Adult Social Care Outcomes Framework](#), October 2021.

13 The Wales Co-operative Centre has published a guide setting out how people can pool budgets for Direct Payments, [Direct Payments: make them work for you](#)

14 [Social Services and Well-being \(Wales\) Act 2014: Part 4 Code of Practice \(Meeting Needs\)](#), 2015. Paragraph 159 notes that 'The flexibility inherent in direct payments means that recipients, or their representatives, must be able to adjust the amount of the direct payment they use from week to week. They must be able to 'bank' any unused payment to use as and when extra needs arise (this might particularly be relevant for those whose needs fluctuate)'.  
Page 156

**Exhibit 5: Direct Payment recipients’ experiences of what happens to payments which build up**

Roughly one in eight recipients of Direct Payments build up ‘unused’ money to be used to meet future needs.



Source: Audit Wales, Survey of people receiving Direct Payments, September 2021

2.27 Taken together, our evidence highlights that further clarification, support and guidance are required to ensure that people are able to fully benefit from Direct Payments and receive a consistent standard of service.

## The interface between use of NHS continuing healthcare and social care on access to Direct Payments remains a problem

- 2.28 The Welsh Government's Programme for Government 2021 to 2026 includes a commitment to 'Improve the interface between NHS continuing healthcare and Direct Payments'. In August 2021, the Welsh Government strengthened the wording in the NHS Continuing Healthcare National Framework 2021 and Decision Support Tool.
- 2.29 Importantly, the new guidance reinforces the central ethos of individuals' right to exercise voice and control to decide how, when and who supports them to meet their eligible care and support needs, especially when transitioning from Direct Payments to NHS continuing healthcare. This includes providing specific examples of actions Local Health Boards can take to support this but also recognising that assessments needed to avoid putting up barriers and pushing service users from one service to the other. Theoretically therefore it should be possible for someone to receive a needs-led assessment that supports someone's independence, voice and control.
- 2.30 Some people we surveyed in receipt of Direct Payments noted a reluctance to access NHS continuing healthcare because they fear losing their Personal Assistants and the ability to determine who provides their services. They also raised concerns that the flexibility of Direct Payments – that enables them to access a wide range of non-traditional health and/or social care services that help improve their wellbeing – will be lost.
- 2.31 Direct Payment managers also noted instances where individuals with deteriorating health needs are refusing to access NHS continuing healthcare because of fear of losing the flexibility of Direct Payments and the wellbeing improvements it brings. Direct Payment managers and some providers also raised concerns that NHS colleagues are still not fully on board with service users 'driving' decision making and maximising the opportunity to promote independence, voice and control.



**Direct Payments  
are helping people  
live independently  
and improving their  
wellbeing, but it is  
difficult to assess  
overall value for money  
because of limitations  
in data and evaluation**

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3.1 In this final part of the report, we consider the impact of Direct Payments. We summarise spending on Direct Payments in Wales and highlight the variations between local authorities. Finally, we consider whether the current approaches to monitor and evaluate Direct Payments to ensure they provide value for money are effective.

### Local authorities who are delivering positive outcomes for people using Direct Payments



Evidencing that people's wellbeing is maintained or improving as a result of Direct Payments



Have a comprehensive system for monitoring and evaluating all aspects of Direct Payments



Involve and value input from all stakeholders/partners in evaluating the impact of services



Compare and benchmark individual and collective performance with others and use the findings of evaluation to shape current plans and future approaches



Know what works and whether the approach of the authority is delivering the aspirations of the Act

## **Direct Payments are seen as making an important contribution to recipients' wellbeing and independence**

- 3.2 Overall, the people we surveyed who receive Direct Payments provided positive feedback on the impact of Direct Payments. 91% of respondents to our survey stated that Direct Payments have had a positive impact on their independence and wellbeing. In addition, 85% stated that Direct Payments were definitely the right option for them. The majority of care and support providers who responded to our survey (87%) also agreed that Direct Payments are helping to support people's independence and maintain their wellbeing.
- 3.3 Some people we surveyed identified the critical role of Direct Payments in helping them remain independent. One Direct Payment recipient noted that: 'I get support to do everything I want to do and achieve' whilst another stated that: 'It's allowed me to do lots of new things and go out and enjoy and meet new people.' Another noted that: 'It (Direct Payments) gives choices and independence which have been very positive' and another that: 'the Direct Payments have enabled me to remain living in my own home'. Finally, one recipient stated that: 'I really like Direct Payments and how it lets me live as independently as I can.' And another person we surveyed noted that: 'Direct Payments allows me to have control and more importantly to have the care I need to be able to get the most out of life.' These comments were echoed by many others who responded to our survey.

## **It is difficult to assess the overall value for money of Direct Payments because systems for managing and evaluating performance are inadequate**

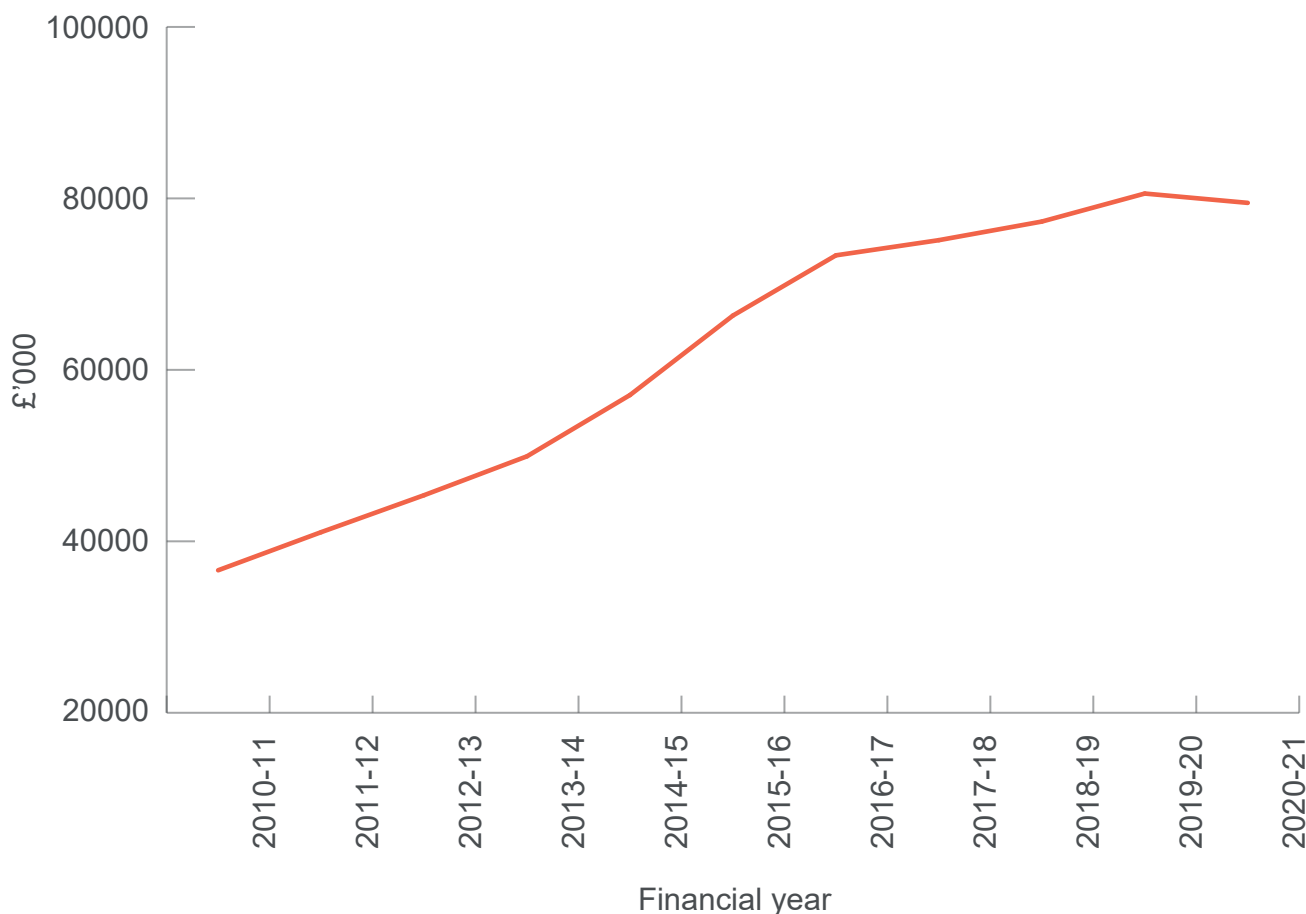
- 3.4 Despite the high value placed on Direct Payments by service users and carers, there is only a small range of national publicly reported indicators to judge performance. These simply cover the numbers receiving Direct Payments by need group (physical disabilities, learning disabilities, mental health and older people) and the amount spent on Direct Payments by local authority. The performance measures were revised following the implementation of the Social Services and Well-being (Wales) Act in 2014, and information has only been collated for three financial years: 2016-17, 2017-18 and 2018-19. Following the Welsh Government's decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been collected and reported nationally.

**Spending on Direct Payments has more than doubled in the last decade, but marginally fell in 2020-21. The average amount paid out per recipient varies widely**

3.5 The amount of money spent on Direct Payments is growing and in real terms, considering inflation, has increased from £36.6 million in 2010-11 to £79.5 million in 2020-21 – **Exhibit 6**.

**Exhibit 6: total spending on Direct Payments for adults by local authorities in real terms between 2010-11 and 2020-21**

Local authorities’ spending on Direct Payments increased by 117% in the period but marginally fell in 2020-21.



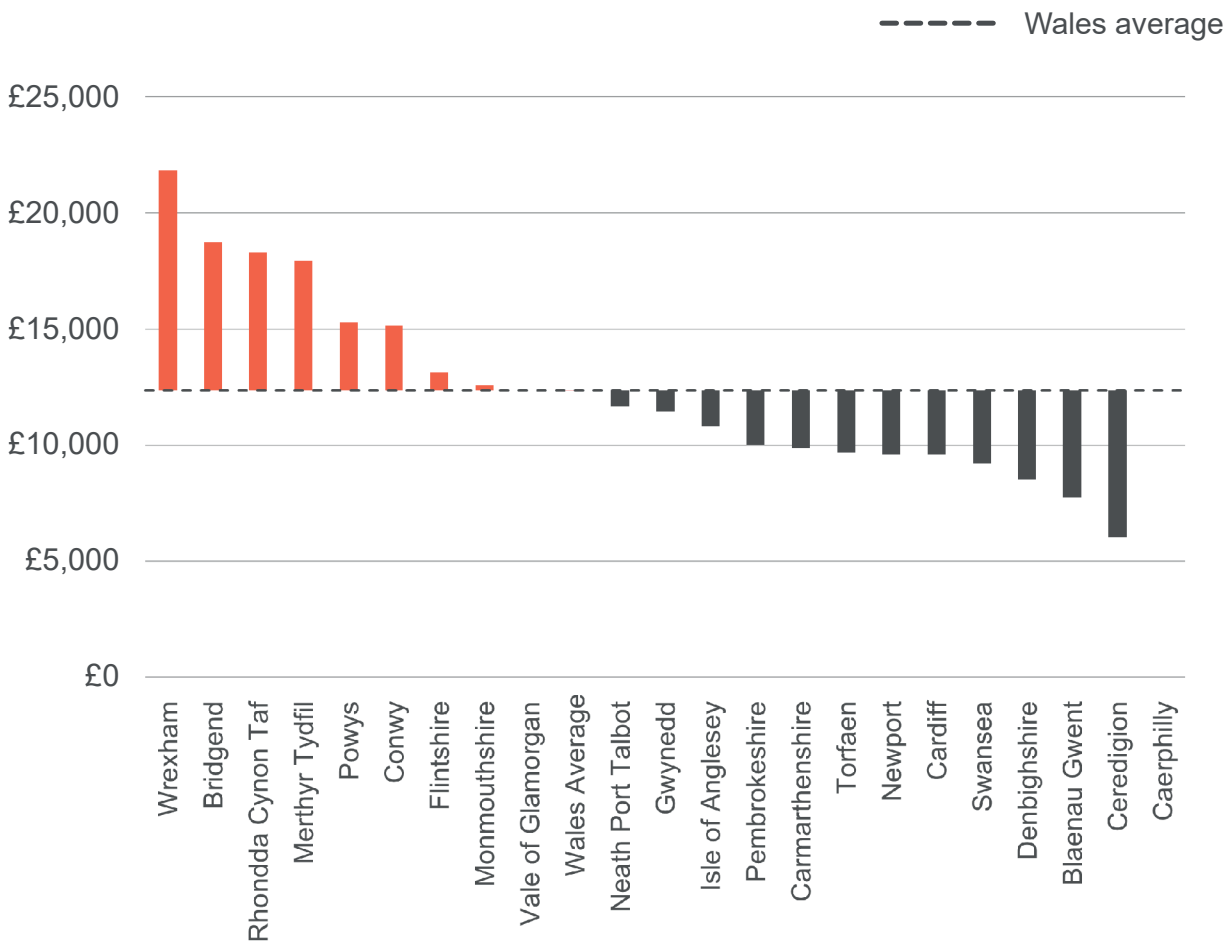
Source: StatsWales, [LGFS0015: Social services revenue outturn expenditure subjective analysis by authority](#). Analysis by Audit Wales



3.6 While each local authority is responsible for the format of care and support plans, they are required to be consistent across the country using the national eligibility criteria<sup>15</sup>. Our analysis in **Exhibit 7** shows that local authorities are paying out widely varying average amounts. Excluding Caerphilly, the average Direct Payment across Wales in 2018-19 in real terms was £12,344. This ranged from £6,033 per person in Ceredigion to £21,836, 3.6 times more, in Wrexham.

**Exhibit 7: average Direct Payment per recipient by local authority in 2018-19 in real terms**

The average amount people receive in Direct Payments varies widely across Wales.



Note: Caerphilly was unable to provide data on the number of recipients for 2018-19, due to technical issues with their ICT systems.

Source: StatsWales, [LGFS0015: Social services revenue outturn expenditure subjective analysis by authority](#) and [CARE0118: Adults receiving services by local authority and age group](#). Analysis by Audit Wales

15 The eligibility criteria are set out in the [Care and Support \(Eligibility\) \(Wales\) Regulations 2015](#) and the Welsh Government’s [Social Services and Well-being \(Wales\) Act 2014: Part 4 Code of Practice \(Meeting Needs\), 2015](#). Paragraph 39 of the Code of Practice notes that while people have a right to care and support from a local authority where that care and support are not otherwise available to them, the ‘pattern of service delivery will vary from authority to authority’.

3.7 Taking this information with the findings set out in **Part 2** of this report, we conclude that the policy choices and decisions of local authorities are resulting in people with similar needs receiving very different standards of service. Given the significant variation in approaches, the Welsh Government needs to set clear standards to ensure consistency for service users.

### **Systems for managing and evaluating performance are inadequate**

3.8 Local authorities are mostly focussing their performance management and evaluation on the numbers receiving services and the amount of money spent and not enough on impact, wellbeing and the wider benefits of investment. We found that only a fifth of Direct Payment managers believe that their local authority has robust measures in place and are able to judge quality, cost and outcomes of Direct Payments on individuals and for the local authority.

3.9 Through our engagement with Direct Payments lead officers across Wales, we found that most local authorities have some measures in place and evaluate some aspects of Direct Payments, but acknowledge it is not comprehensive and there are gaps. For instance, only:

- a a third capture information that helps to identify what is not working and what needs to change;
- b a quarter capture and use information in real time;
- c less than a fifth monitor how Direct Payments contribute to delivery of Corporate Priorities – for example, wellbeing goals, improvement objectives and service priorities; and
- d less than a fifth capture positive and negative experiences from people who receive Direct Payments and know what it is like to receive them.

3.10 These weaknesses mean that it is not possible to fully evaluate and understand the performance or effectiveness of individual local authorities, or the efficiency and impact of Direct Payments. This makes it difficult to judge how well local authorities are performing and whether Direct Payments represent value for money in their own right or in comparison with other forms of social care.



# Appendices

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- 1 Audit methods and approach**
- 2 Determining eligibility for social care and support**
- 3 Adults receiving social care services organised by local authority in 2018-19**
- 4 Personal Assistant hourly pay rates by local authority**

# 1 Audit methods and approach

## Approach

We focused on local authorities' management and delivery of Direct Payments. The work follows on from our September 2019 report on [The 'Front Door' to Adult Social Care](#), which focussed on the impact of the Social Services and Well-being (Wales) Act 2014 and the prioritisation of preventative services to help reduce demand for social care services.

Our review assessed how Direct Payments are helping people to live independently and enable them to have more voice, choice and control. We looked at how Direct Payments help sustain their wellbeing and whether they are improving people's quality of life. We looked at how local authorities manage and encourage take up of Direct Payments and judge whether these services present value for money.

We established a study reference group and held project meetings with Care Inspectorate Wales, Carers Wales, the Older People's Commissioner, Age Cymru, the Welsh Government, and a small number of service users. The reference group helped to shape the focus of this review and provided challenge at our evidence review stage.

We managed delivery of the review to take account of the challenges facing social services in Wales in dealing with the pandemic. We ensured the scope and coverage of our fieldwork did not detract from local authority responsibilities towards service users and flexed our approach in discussion with individual local authorities when agreeing and delivering fieldwork.

## Methods

We completed our work between September 2020 and February 2022 and used a range of methods to inform our overall findings, conclusions and recommendations:

- **document review** – we reviewed Welsh Government, Association of Directors of Social Services Cymru and Social Care Wales documentation, guidance and announcements; local authority policy documentation and cabinet and committee papers; a range of materials on approaches for management of Direct Payments in England; and reports and information published by research bodies including the Joseph Rowntree Foundation, the Kings Fund and Think Local Act Personal.

- **focus groups** – we held:
  - three on-line focus groups with members of the All-Wales Direct Payments Forum made up of officers from each of the 22 Welsh local authorities with management responsibility for Direct Payments. In each of the focus groups, attendees completed a survey and we held facilitated discussions.
  - Carers Wales focus groups with Direct Payments service users and their carers.
- **local authority interviews** – we interviewed staff from Bridgend, Caerphilly, Cardiff, Flintshire, Gwynedd, Newport, Powys, Torfaen and Wrexham councils with responsibility for direct payments.
- **interviews with national bodies** – ADSS Cymru, the Welsh Local Government Association, British Association of Social Workers Cymru, Social Care Wales, Disability Wales, UK Home Care Association, Care Forum Wales, Wales Co-op Centre, the Equalities and Human Rights Commission Cymru, Wales School of Social Care Research, the Welsh Government, British Deaf Association and Think Local Act Personal.
- **surveys** – we undertook two surveys:
  - a commissioned telephone survey of service users and carers receiving Direct Payments. A total of 1,028 people from a database of 4,650 valid contacts were surveyed, with 71% completed via telephone and the remainder submitting online survey forms. Of this figure 5% surveyed are carers. All contacts were provided by local authorities using secure data transfer. The survey was conducted between 4 August and 24 September 2021, with 5% of responses completed in Welsh. Given our survey covers both service users and carers who receive Direct Payments, we report information at three levels. Where we say Direct Payment recipients, we mean both service users and carers; and where we specifically reference either ‘service users’ or ‘carers’ means the findings of the survey are specific to these distinct groups of people; and
  - a survey of individuals and agencies paid via Direct Payments to provide care and support to adults in need. The online open survey was completed between 11 June 2021 and 18 August 2021. We received a total of 166 responses, and these came from all 22 local authority areas, with 3% of responses completed in Welsh.
- **data analysis** – we analysed data published by StatsWales on Direct Payments expenditure, the number of adults receiving services and their needs. We also analysed data published by NHS Digital Services in England.

## 2 Determining eligibility for social care and support



Widely known as **the Information, Advice and Assistance service**, this is the front door to adult social care and is the first point of contact for most individuals looking for help.



At the first point of contact, individuals will be offered information, advice and assistance to help them make informed decisions about their wellbeing.

From here, local authorities will often signpost individuals to preventative or community-based services. If a person's needs cannot be met in that way, they will be directed to a professional social worker to discuss their needs in more detail.



Often referred to as the 'What Matters conversation', the assessment of needs undertaken with a social worker is a targeted conversation to gather more information about a person's strengths and needs, to identify the best solutions for them.



If a person's needs cannot be met without local authority support, a care and support plan is co-produced to set out how those needs will be met through the provision of services. This is often referred to as having 'eligible needs'.

These services can be arranged directly by the local authority or, alternatively, funded through Direct Payments – a monetary amount that can be used to purchase and arrange a person's own care and support.

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### 3 Adults receiving social care services organised by local authority in 2018-19

**Exhibit 8: adults receiving social care services organised by local authority in 2018-19**

Local authority	Total number of adults receiving social services	Number of adults in receipt of Direct Payments	Direct Payments as % of adults receiving services
Blaenau Gwent	3,826	149	3.9%
Bridgend	7,059	232	3.3%
Caerphilly	No data submitted due to technical issues with ICT systems		
Cardiff	15,331	787	5.1%
Carmarthenshire	7,658	538	7.0%
Ceredigion	2,595	336	12.9%
Conwy	7,060	239	3.4%
Denbighshire	2,872	177	6.2%
Flintshire	8,041	437	5.4%
Gwynedd	8,774	137	1.6%
Isle of Anglesey	3,382	139	4.1%
Merthyr Tydfil	2,696	102	3.8%
Monmouthshire	4,449	131	2.9%
Neath Port Talbot	3,371	433	12.8%
Newport	4,462	94	2.1%
Pembrokeshire	4,398	331	7.5%
Powys	5,827	504	8.6%
Rhondda Cynon Taf	7,094	306	4.3%
Swansea	8,932	517	5.8%
Torfaen	3,241	130	4.0%
Vale of Glamorgan	5,533	271	4.9%
Wrexham	8,814	272	3.1%
<b>Wales</b>	<b>125,415</b>	<b>6,262</b>	<b>5.0%</b>

Source: StatsWales, [CARE0118: Adults receiving services by local authority and age group](#)

Following the Welsh Government's decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been reported nationally since 2018-19.

## 4 Personal Assistant hourly pay rates by local authority

The rates in the Vale of Glamorgan, Torfaen and Blaenau Gwent local authorities vary to take account of weekend, evening and unsocial hours working.

### Exhibit 9: personal assistant hourly pay rates by local authority

Local authority	Personal Assistants rate (per hour)
Merthyr	£12.94
Wrexham	£12.67
Swansea	£12.66
Flintshire	£12.63
Gwynedd	£12.62
Pembrokeshire	£12.40
Denbighshire	£12.33
Carmarthenshire	£12.20
Vale of Glamorgan	£11.24 - £12.18
Rhondda Cynon Taf	£12.15
Bridgend	£12.00
Torfaen	£8.72 - £11.85
Conwy	£11.75
Ynys Môn	£11.65
Powys	£11.41
Cardiff	£11.36
Monmouthshire	£11.04
Ceredigion	£11.00
Neath Port Talbot	£10.50
Blaenau Gwent	£8.72 - £10.00
Newport	£9.50
Caerphilly	£9.47







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# Agenda Item 7

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	8 SEPTEMBER 2022
TITLE	COMMITTEE FORWARD PROGRAMME
PURPOSE OF REPORT	TO PRESENT AN OUTLINE OF THE COMMITTEE'S WORK PROGRAMME FOR 2022/23
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	FOR INFORMATION

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## **1. INTRODUCTION**

- 1.1 The purpose of this report is to give an outline of the Committee's work programme for the period up to February 2023, which is included in the Appendix.
- 1.2 This item is an opportunity for all members of the Governance and Audit Committee to consider the items to be discussed during this period in order to fulfil the Committee's role within the Council's Governance Framework, and to give members the opportunity to prepare as required.
- 1.3 Of course, the exact form of committee agendas may be different by the time of the meetings, depending on the prevailing circumstances. This may include issues which have arisen in audit work, the need to consider specific issues in the wider areas of governance, or matters that have arisen from the Committee's scrutiny role in relation to corporate matters.

## **2. RECOMMENDATION**

- 2.1 The Governance and Audit Committee is asked to consider the contents of the attached forward programme, to question officers about the items as required and to offer comments.

## Forward Programme of the Governance and Audit Committee to February 2023

<b>13 October 2022</b>
Internal Audit Output 1/4/2022 – 31/9/2022
Internal Audit Plan 2022/23
Report from the Control Improvement Working Group
Risk Management Arrangements
Revenue Budget 2022/23 – End of August Review
Capital Programme 2022/23 – End of August Review
Savings Overview – Progress Report on Realising Savings Schemes
Draft of the Self-Assessment (Local Government and Elections Act 2021)

<b>17 November 2022</b>
Report from the Control Improvement Working Group
Treasury Management 2021/22 – Mid-Year Review
Counter fraud, Anti-Corruption and Anti-Bribery Arrangements
Emergency Planning Annual Report
Council Tax Premium
Final Accounts – Gwynedd Council 2021/22 a) To submit the revised statutory financial statements b)(i) To submit the formal “ISA 260” report for Gwynedd Council b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” (Gwynedd Council)
Gwynedd Harbours Final Accounts 2020/21 ( <b>only</b> if there are post-audit changes)

**9 February 2023**

Financial Strategy and Budget 2023/24

Capital Strategy 2023/24

Report from the Control Improvement Working Group

Revenue Budget 2022/23 – End of November Review

Capital Programme 2022/23 – End of November Review

Savings Overview – Progress Report on Realising Savings Schemes

Internal Audit Output 1/10/2022 – 31/1/2023

Internal Audit Plan 2022/23

Draft Internal Audit Plan 2023/24